carclo

Interim

2018

contents

about carclo

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

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

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

Forward looking statements

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

highlights

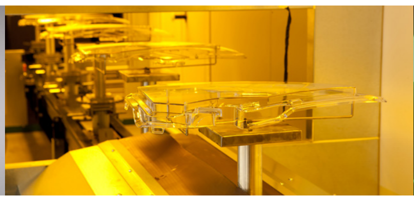
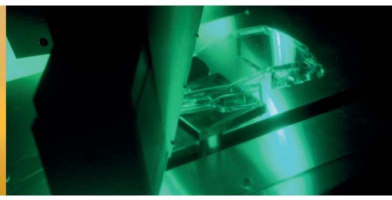
Half year results for the six months ended 30 September 2018 -

- As previously highlighted, while the business made progress in a number of areas during the first half, trading results were below Board expectations, largely due to underperformance at Technical Plastics. This, together with production inefficiencies incurred on new production programmes in the LED division, resulted in the first half underlying operating profit being lower year on year.
- Revenue decreased by 1% despite growth in LED production revenues mainly due to negative currency impacts. At constant currency revenue increased by 0.3%.
- Underlying profit before tax decreased by 22% (14% at constant currency). We expect a greater than usual second half weighting in FY19 reflecting the phasing of new programmes in both the Technical Plastics and LED divisions.
- In the Technical Plastics division, three new medical programmes were delayed by customers in the period but all entered production successfully towards the end of the first half of the year and this, together with planned new tooling programmes, supports the expected stronger second half performance.

	Half year ended 30 September 2018 £000	Half year ended 30 September 2017 £000
Revenue		
Technical Plastics	**42,756**	43,748
LED Technologies	**25,578**	25,571
Aerospace	**3,121**	2,859
Total	**71,455**	72,178
Underlying* operating profit		
Technical Plastics	**2,532**	3,243
LED Technologies	**3,038**	3,385
Aerospace	**606**	359
	6,176	6,987
Unallocated	**(1,687)**	(1,583)
Total	**4,489**	5,404
Underlying* profit before tax	**3,568**	4,550
Profit before tax	**3,352**	4,550
Underlying* earnings per share	**3.7p**	4.5p

* underlying is defined as before all exceptional items. See page 5 for a reconciliation to statutory figures.



- In the LED Technologies division, Wipac has continued to be successful in winning new programmes, including nomination for two mid-volume electric vehicles, leading to a healthy level of design and development contract revenues. Production demand has been solid. All of the current year's planned new vehicle production programmes launched in the first half and this resulted in higher than anticipated manufacturing costs being incurred. Margins are expected to improve in the second half as production accelerates and initial start-up inefficiencies are eliminated.
- The Aerospace division performed well against the prior year as a result of a more profitable mix and tight control over costs.
- As anticipated, net debt rose to £35.9m at the half year (31 March 2018: £31.5m), reflecting the timing of capital investment and the payment profile of ongoing design, development and tooling programmes. The Group's financing remains well within banking covenants.
- The Board anticipates full year trading will be in line with its expectations and the Group remains on track to grow substantially over the medium term.

(*) Reconciliation of underlying earnings to statutory results

The Directors believe that adjusted measures provide a more useful comparison of business trends and performance. Adjusted results exclude exceptional items. The term adjusted is not defined under IFRS and may not be comparable with similarly-titled measures used by other companies.

All profit and earnings per share figures in these interim results relate to adjusted business performance (as defined above) unless otherwise stated. A reconciliation of adjusted measures to non-adjusted measures is provided below:

	Statutory	Adjustments	Adjusted
Underlying operating profit (£'000)	4,273	216	4,489
Underlying profit before tax (£'000)	3,352	216	3,568
Basic earnings per share (pence)	3.5	0.2	3.7

Commenting on the results, Chris Malley, Chief Executive said:

" Operating margins in Technical Plastics are expected to improve in the second half as volumes in the new contracts ramp up and commercial and operational improvements are delivered. We have implemented a number of price increases, efficiency improvements and cost savings across the division, the benefit of which will positively impact margins in the second half of the year and beyond.

In LED Technologies, Wipac's success in securing new customer programmes, including in the strategically important mid volume sector, together with the new vehicle production programme launches has ensured we have a healthy production pipeline in this division for the medium term. The rate of growth has led to an increase in funding requirements and some short term operational growing pains which are being addressed through increased manufacturing capacity and strengthening of the management team.

Technical Plastics and LED Technologies are set to have a stronger second half performance based on the full effect of the new programmes, planned customer timings on projects and the expected improvement in margins. The Board anticipates that the Group will trade in line with its expectations for the full year, and that it remains on track to grow substantially over the medium term. "

overview of results

As previously highlighted, while the business made progress in a number of areas during the first half, trading results were below the Board's expectations largely due to underperformance at Technical Plastics. This, together with production inefficiencies in LED Technologies, resulted in the first half underlying operating profit being lower year on year.

Group revenues decreased by 1% to £71.5m (2017: £72.2m). On a constant currency basis revenues increased by 0.3%. Group underlying operating profits of £4.5m were 17% lower than for the comparative period last year (2017: £5.4m) due to the phasing of new programmes in both the Technical Plastics and LED divisions and the resultant impact on margins; on a constant currency basis underlying operating profits decreased by 14%.

Unallocated costs were marginally higher than the comparative period last year at £1.7m (2017: £1.6m). The IAS 19 pension finance charge at £0.4m (2017: £0.4m) was broadly in line with the comparative period last year. Underlying profit before tax decreased 22% to £3.6m (2017: £4.6m).

The Group generated profit before tax in the six months to 30 September 2018 of £3.4m (2017: £4.6m). The underlying effective tax rate for the period is 24% (30 September 2017: 27.5%, 31 March 2018: 20.6%). The tax rate reflects the anticipated geographic split of taxable profits for the full year.

Underlying earnings per share for the six months to 30 September 2018 was 3.7p (2017: 4.5p).

Board and management changes

After serving on the Board for over 12 years, 6 of those as Chairman, Michael Derbyshire stood down at the AGM in July 2018. Mark Rollins, who joined the Board in January 2018 became Chairman. The Board would like to thank Michael for his service and his substantial contribution to the strategic direction of the Group.

Sarah Matthews-DeMers was appointed as Group Finance Director on 18 July 2018, joining from Rotork plc where she was Director of Strategy and Investor Relations. Joe Oatley was appointed as a Non-Executive Director and the Chairman of the Remuneration Committee with effect from 20 July 2018. Joe is also a Non-Executive Director at Wates Group Limited and Redhall plc and was previously Group Chief Executive of Cape plc.

The operational management teams in Technical Plastics and Wipac have also been strengthened to help drive improvement in our results.

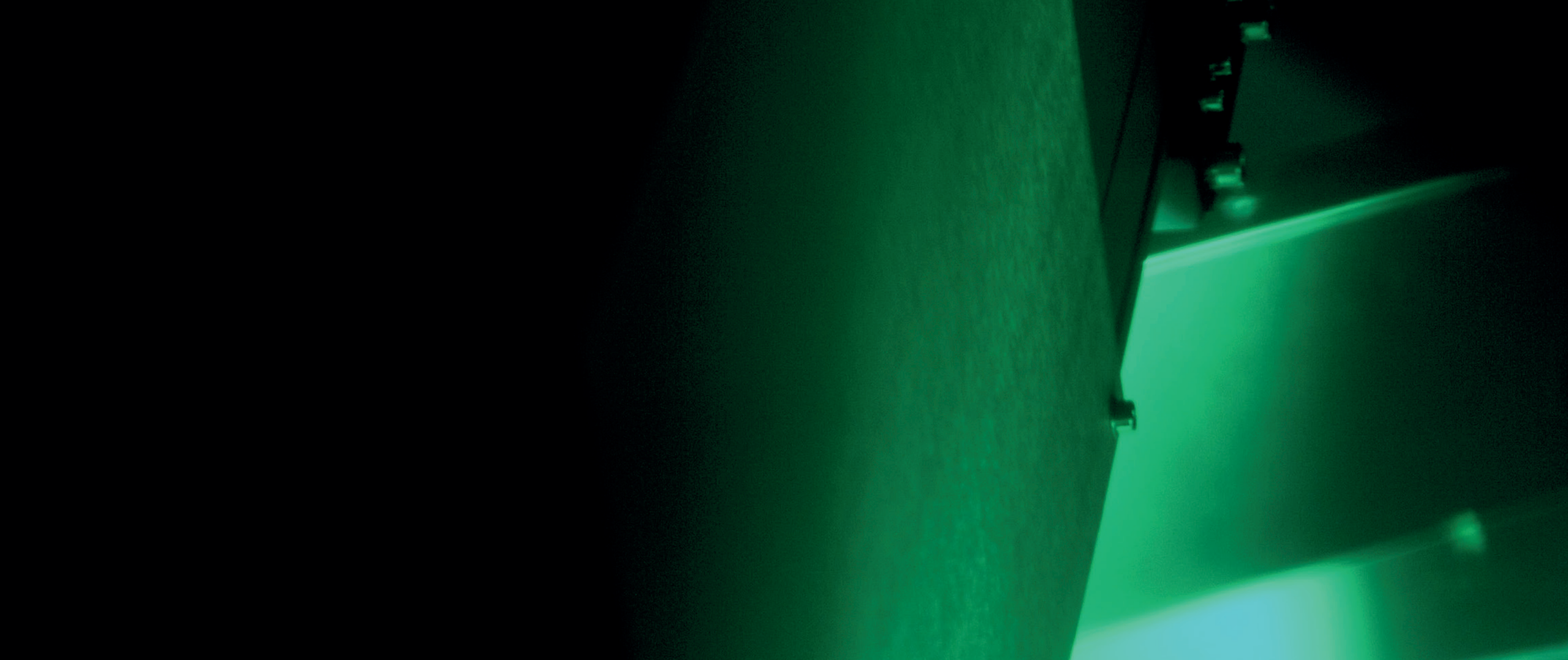
Outlook

The Board expects the Group to report a stronger performance in the second half of the financial year. This reflects the full effect of the new programmes, improved operational performance and expected higher design and tooling profits at Technical Plastics, along with the benefit from the ramp up in production volumes and anticipated improvement in production efficiencies within Wipac.

As is normal within the Group's business, the achievement of its anticipated performance for the full year is dependent on key customers, particularly in Wipac, awarding new programmes in line with planned timescales in the second half.

Medium term prospects continue to be encouraging with robust demand from the medical sector and the opportunity for strong growth from the automotive sector as recently won automotive lighting programmes go into production.

The Board anticipates that the Group will trade in line with its expectations for the full year, and that it remains on track to grow substantially over the medium term.



Operating review Technical Plastics ("CTP")

	Half year ended 30 September 2018 £000	Half year ended 30 September 2017 £000
Revenue	**42,756**	43,748
Underlying operating profit	**2,532**	3,243

The Group's Technical Plastics business reported revenues of £42.8m (2017: £43.7m), a decrease of 2% on the comparative period last year. On a constant currency basis the division's revenues decreased by 0.2%. Divisional operating profits were £2.5m (2017: £3.2m) and the divisional operating margin was 5.9% (2017: 7.4%). This margin is expected to improve in the second half of the year due to the impact of the ramp up of new programmes and as benefits are realised from the operational improvements programme launched in January.

Our US business continued to experience operational challenges due to direct labour shortages. A significant investment in employee welfare was made during the period but labour turnover and scarcity has continued. Changes to shift patterns adopted in the first half along with new recruitment procedures are expected to mitigate the problem in the second half. We have appointed a new US Operations Director and Plant Manager at our main Pennsylvania operation and this new management team is focused on operational and other efficiency improvements under our previously highlighted operational improvements programme.

In the UK, margins have improved as new production programmes have commenced, using the additional capacity from the Mitcham facility expansion last year.

In India, the mainly non-medical business has stabilised and customer production schedules support our forecasts with a better mix of higher margin products.

Our facility in China experienced some issues with de-stocking in the local market; however, overall margins have been maintained through efficiency and commercial efforts.

Our Czech business has addressed the labour shortages experienced in the prior year and is expected to benefit from a new production programme which commenced shortly before the period end. As one of our non-medical programmes is scheduled to come to an end shortly after the end of the financial year, in October we announced a rationalisation of this facility. We expect to generate annual cost savings of £0.4m, with a payback of c.2.5 years on restructuring costs of c.£1.0m, the majority of which will be incurred during the second half. This supports our strategy of increasing our focus on medical work within the division.

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

Outlook

Operating margins in CTP are expected to improve in the second half as volumes in the new contracts ramp up and commercial and operational improvements are delivered. We have implemented a number of price increases, efficiency improvements and cost savings across the division, the benefit of which will positively impact margins in the second half of the year and beyond.

LED Technologies

	Half year ended 30 September 2018 £000	Half year ended 30 September 2017 £000
Revenue	**25,578**	25,571
Underlying operating profit	**3,038**	3,385

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

Overall, revenue was flat at £25.6m (2017: £25.6m). Production revenues increased as further programmes moved into the manufacturing phase, while, as expected, project revenues decreased due to a change in the profile of the contract portfolio. Divisional operating profit reduced by 10% to £3.0m (2017: £3.4m) due to the previously highlighted initial start-up inefficiencies and increased investment in overheads necessary to deliver the increased production volumes.

Design, development and sub contract tooling revenues, which in aggregate made up over half of Wipac's sales, were ahead of our expectations and all projects are on target. The recently announced nomination to supply lighting for two new mid-volume electric vehicles supports the Group's strategy of expansion into this area and provides good visibility over production volumes for the medium term. The market for automotive lighting projects remains strong and we continue to be confident that Wipac is well placed to deliver significant growth into the future.

Automotive lighting product sales for the period were ahead of the prior year although, with an unprecedented number of new product launches, margins were below the prior year due to higher manufacturing costs incurred during the start-up phase. All of the current year's planned new vehicle programmes have now launched. Given manufacturing output is still ramping up, we anticipate several more months of improving efficiencies prior to production settling to a steady state. We have enhanced our senior operations team to bring in leaders with extensive experience of managing higher volume automotive production.

In the medium term, as the new mid-volume contracts come into production, we expect production revenues to become a larger proportion of Wipac's sales, thereby improving the predictability and stability of revenues and profits.

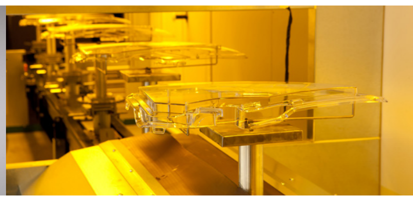
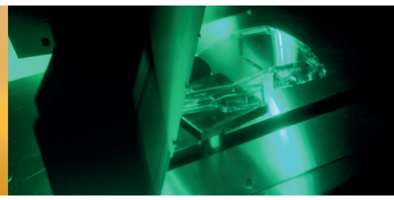
In order to deliver this growth, additional warehousing and office space has been secured close to our Buckingham facility. A new North American production facility is likely to be required in the short to medium term to deliver one of the new mid-volume contracts.

The Aylesbury based LED Optics business continued to generate stable sales against a market backdrop of increasing product commoditisation.

Outlook

In LED Technologies, Wipac's success in securing new customer programmes, including in the strategically important mid volume sector, together with the new vehicle production programme launches, has ensured we have a healthy production pipeline in this division for the medium term. The rate of growth has led to an increase in funding requirements and some short term operational growing pains which are being addressed through increased manufacturing capacity and strengthening of the management team.



Aerospace

	Half year ended 30 September 2018 £000	Half year ended 30 September 2017 £000
Revenue	**3,121**	2,859
Underlying operating profit	**606**	359

The Group's Aerospace business had a solid first half performance, with revenues 9% higher at £3.1m (2017: £2.9m) and underlying operating profits 69% higher at £0.6m (2017: £0.4m). Spares demand has stabilised and a number of new programmes have moved into production since the prior period.

This business continues to be both profitable and cash generative for the Group.

Outlook

The prospects for the business remain encouraging.

Financial position

The Group generated cash from operations of £1.6m (2017: £3.5m) with working capital increasing by £5.3m (2017: £4.4 million) due mainly to increased sub contract tooling activity. Capital expenditure in the six months to 30 September 2018 on a cash basis was £3.1m (2017: £5.7m), the majority of which relates to investment in production machinery in Wipac and our UK Technical Plastics business to support new business. As anticipated, net debt has risen since the last financial year-end to £35.9m (31 March 2018: £31.5m), reflecting the timing of capital investment and an increase in working capital due to the investment and payment profile of ongoing design, development and tooling programmes. In addition, net debt reflects the continuing weakness of sterling on the translation of the Group's foreign currency denominated borrowings.

The Group's pension deficit, net of applicable deferred tax, decreased to £24.5m as at 30 September 2018 (31 March 2018: £24.7m). This was mainly due to a slightly higher discount rate based on increased corporate bond yields. The cash cost of the pension scheme has remained at similar levels with the annual recovery plan payment of £1.2m made subsequent to the 30 September 2018 period end. The Group's next triennial valuation as at 31 March 2018 is underway.

On 26 October 2018, a High Court judgement was made involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, an issue which affects many other defined benefit pension schemes. We are working with the trustees of our scheme and our actuarial advisers to understand the impact on the scheme liabilities, but estimate that an adjustment of c£3m is likely to be recognised in the second half.

Risks and uncertainties

In the Annual Report for the year ended 31 March 2018 we provided a detailed review of the risks faced by the Group and how these risks are managed. We continue to face, and proactively manage, the risks and uncertainties in our business and, while recognising the economic uncertainty around Brexit, the Board does not consider that the principal risks and uncertainties have changed since the publication of the 2018 Annual Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 30 September 2018 unaudited £000**	Six months ended 30 September 2017 unaudited £000	Year ended 31 March 2018 audited £000
Revenue	4	**71,455**	72,178	146,214
Operating profit before exceptional items		**4,489**	5,404	10,811
Exceptional items	5	**(216)**	-	(904)
Operating profit	4	**4,273**	5,404	9,907
Finance revenue	6	**57**	57	99
Finance expense	6	**(978)**	(911)	(1,839)
Profit before tax		**3,352**	4,550	8,167
Income tax (expense) / credit	7	**(813)**	(1,253)	325
Profit after tax		**2,539**	3,297	8,492
Attributable to –				
Equity holders of the parent		**2,539**	3,297	8,492
Non-controlling interests		**-**	-	-
		2,539	3,297	8,492
Earnings per ordinary share	8			
Basic		**3.5p**	4.5p	11.6p
Diluted		**3.5p**	4.5p	11.6p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2018 unaudited £000	Six months ended 30 September 2017 unaudited £000	Year ended 31 March 2018 audited £000
Profit for the period	**2,539**	3,297	8,492
Other comprehensive income -			
Items that will not be reclassified to the income statement			
Remeasurement gains on defined benefit scheme	**696**	3,004	2,150
Deferred tax arising	**(80)**	(422)	(392)
Total items that will not be reclassified to the income statement	**616**	2,582	1,758
Items that are or may in the future be classified to the income statement			
Foreign exchange translation differences	**945**	(1,119)	(2,238)
Deferred tax arising	**(178)**	-	138
Total items that are or may in future be classified to the income statement	**767**	(1,119)	(2,100)
Other comprehensive income, net of income tax	**1,383**	1,463	(342)
Total comprehensive income for the period	**3,922**	4,760	8,150
Attributable to -			
Equity holders of the parent	**3,922**	4,760	8,150
Non-controlling interests	**-**	-	-
Total comprehensive income for the period	**3,922**	4,760	8,150

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2018 unaudited £000**	30 September 2017 unaudited £000	31 March 2018 audited £000
Assets				
Intangible assets	**10**	**25,824**	25,456	25,311
Property, plant and equipment	**11**	**49,722**	45,848	46,446
Investments		**7**	7	7
Deferred tax assets		**8,774**	10,344	8,731
Trade and other receivables		**142**	-	143
Total non current assets		**84,469**	81,655	80,638
Inventories		**20,032**	19,176	19,812
Trade and other receivables		**51,098**	38,559	46,449
Cash and cash deposits	**15**	**10,867**	19,271	12,962
Non current assets classified as held for sale	**12**	**-**	200	200
Total current assets		**81,997**	77,206	79,423
Total assets		**166,466**	158,861	160,061
Liabilities				
Interest bearing loans and borrowings		**31,385**	29,820	29,253
Deferred tax liabilities		**4,109**	5,862	4,070
Provisions		**323**	-	323
Trade and other payables		**311**	101	208
Retirement benefit obligations	**13**	**29,463**	29,838	29,798
Total non current liabilities		**65,591**	65,621	63,652
Trade and other payables		**27,893**	21,764	28,313
Current tax liabilities		**1,511**	2,866	731
Provisions		**98**	494	161
Interest bearing loans and borrowings		**15,401**	19,077	15,185
Total current liabilities		**44,903**	44,201	44,390
Total liabilities		**110,494**	109,822	108,042
Net assets		**55,972**	49,039	52,019
Equity				
Ordinary share capital issued	**18**	**3,671**	3,664	3,664
Share premium		**7,359**	7,359	7,359
Translation reserve		**7,179**	7,230	6,234
Retained earnings		**37,789**	30,812	34,788
Total equity attributable to equity holders of the parent		**55,998**	49,065	52,045
Non-controlling interests		**(26)**	(26)	(26)
Total equity		**55,972**	49,039	52,019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company					Non-controlling interests	Total equity
	Share capital £000	Share premium £000	Translation reserves £000	Retained earnings £000	Total £000	£000	£000
Current half year period – unaudited							
Balance at 1 April 2018	**3,664**	**7,359**	**6,234**	**34,788**	**52,045**	**(26)**	**52,019**
Adjustment on initial application of IFRS 15 (net of tax)	**-**	**-**	**-**	**(69)**	**(69)**	**-**	**(69)**
Adjusted 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 gains 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 half year period – unaudited							
Balance at 1 April 2017	3,650	7,359	8,334	24,946	44,289	(26)	44,263
Profit for the period	-	-	-	3,297	3,297	-	3,297
Other comprehensive income –							
Foreign exchange translation differences	-	-	(1,104)	-	(1,104)	-	(1,104)
Remeasurement gains on defined benefit scheme	-	-	-	3,004	3,004	-	3,004
Taxation on items above	-	-	-	(422)	(422)	-	(422)
Transactions with owners recorded directly in equity –							
Share based payments	14	-	-	(13)	1	-	1
Balance at 30 September 2017	3,664	7,359	7,230	30,812	49,065	(26)	49,039
Prior year period – audited							
Balance at 1 April 2017	3,650	7,359	8,334	24,946	44,289	(26)	44,263
Profit for the period	-	-	-	8,492	8,492	-	8,492
Other comprehensive income –							
Foreign exchange translation differences	-	-	(2,238)	-	(2,238)	-	(2,238)
Remeasurement gains on defined benefit scheme	-	-	-	2,150	2,150	-	2,150
Taxation on items above	-	-	138	(392)	(254)	-	(254)
Transactions with owners recorded directly in equity –							
Share based payments	-	-	-	(40)	(40)	-	(40)
Exercise of share options	14	-	-	(262)	(248)	-	(248)
Taxation on items recorded directly in equity	-	-	-	(106)	(106)	-	(106)
Balance at 31 March 2018	3,664	7,359	6,234	34,788	52,045	(26)	52,019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Six months ended 30 September 2018 unaudited £000**	Six months ended 30 September 2017 unaudited £000	Year ended 31 March 2018 audited £000
Cash generated from operations	**14**	**1,649**	3,545	6,257
Interest paid		**(524)**	(507)	(1,016)
Tax paid		**(103)**	(642)	(1,693)
Net cash from operating activities		**1,022**	2,396	3,548
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**333**	54	48
Interest received		**57**	57	99
Acquisition of property, plant and equipment		**(3,128)**	(5,745)	(8,773)
Acquisition of intangible assets – computer software		**(64)**	(63)	(350)
Net cash outflow from investing activities		**(2,802)**	(5,697)	(8,976)
Cash flows from financing activities				
Drawings on term loan facilities		**-**	750	750
Repayment of finance leases		**(206)**	-	-
Cash outflow in respect of performance share plan awards		**(52)**	(248)	(248)
Net cash (outflow) / inflow from financing activities		**(258)**	502	502
Net decrease in cash and cash equivalents		**(2,038)**	(2,799)	(4,926)
Cash and cash equivalents at beginning of period		**(2,223)**	3,381	3,381
Effect of exchange rate fluctuations on cash held		**221**	(388)	(678)
Cash and cash equivalents at end of period	**15**	**(4,040)**	194	(2,223)

NOTES ON THE ACCOUNTS

1. Basis of preparation

Except as outlined below, the condensed consolidated half year report for Carclo plc ("Carclo" or "the Group") for the six months ended 30 September 2018 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2018 and in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority and the requirements of IAS 34 "Interim Financial Reporting" as adopted by the EU.

The financial information is unaudited, but has been reviewed by the auditors and their report to the company is set out below.

The half year report does not constitute financial statements and does not include all of the information and disclosures required for full annual statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 March 2018 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 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) of the Companies Act 2006.

The half year report was approved by the Board of directors on 13 November 2018 and is being sent to shareholders on 23 November 2018. Copies are available from the Company's registered office and can also be downloaded from the corporate website.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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.

Net debt at 30 September 2018 was £35.9m, rising from £31.5m at 31 March 2018 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 quantum and timing of certain cash flows in the twelve month forecast period for ongoing design, development and tooling programmes is inherently uncertain. Accordingly, 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. The Group's financing remains within banking covenants at 30 September 2018 and is forecast to remain within the available facilities and covenants for at least the twelve month forecast period.

Based on their assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

2. Accounting policies

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 2018. The 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 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 1 April 2018. A number of other new standards are effective from 1 April 2018 but they do not have a material effect on the Group's financial statements.

A. IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15, 'Revenue from Contracts with Customers', for the year ending 31 March 2019. This establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The majority of the Group's transactions are unaffected by IFRS 15, however when the standard is applied to customer contracts for design, development and tooling projects in both the Technical Plastics and LED Technologies divisions this leads to a difference in the timing of recognising revenue. The impact of the timing difference varies from contract to contract.

As permitted by the standard, the Group has taken advantage of the modified transitional provisions and the results for the year ended 31 March 2018 remain as previously reported. Under the modified approach the cumulative approach of initially applying the standard is recognised at 1 April 2018 with no restatement of prior periods.

The following adjustment has been made to brought forward retained earnings and recognised in the Condensed Consolidated Statement of Changes in Equity:

	Impact of adopting IFRS 15 at 1 April 2018
	£000
Retained earnings	
Profit before tax	69
Related tax	-
Impact at 1 April 2018	69

The impact of adoption in the period to 30 September 2018 can be seen below and arises primarily from timing differences due to measuring the progress of LED premium automotive lighting contracts using an output method of measuring progress towards complete satisfaction of performance obligations, based on milestones reached under IFRS 15 rather than the cost to cost ("percentage completion") method used under IAS 18 and IAS 11.

NOTES ON THE ACCOUNTS

2. Accounting policies continued	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Impact on the condensed consolidated statement of financial position as at 30 September 2018			
Other non current assets	84,469	-	84,469
Non current assets	**84,469**	-	84,469
Inventories	20,032	-	20,032
Trade and other receivables	51,098	1,845	52,943
Other current assets	10,867	-	10,867
Current assets	**81,997**	**1,845**	**83,842**
Total assets	**166,466**	**1,845**	**168,311**
Retained earnings	37,789	(57)	37,732
Other equity	18,183	-	18,183
Total equity	**55,972**	**(57)**	**55,915**
Other non current liabilities	65,591	-	65,591
Non current liabilities	**65,591**	-	**65,591**
Current tax liabilities	1,511	-	1,511
Trade and other payables	27,893	1,902	29,795
Other current liabilities	15,499	-	15,499
Current liabilities	**44,903**	**1,902**	**46,805**
Total liabilities	**110,494**	**1,902**	**112,396**
Total equity and liabilities	**166,466**	**1,845**	**168,311**
Impact on the condensed consolidated income statement and other comprehensive income in the six months ended 30 September 2018			
Revenue	**71,455**	**1,845**	**73,300**
Operating profit	4,273	(57)	4,216
Total comprehensive income	**3,922**	**(57)**	**3,865**

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's goods and services are set out below.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control whether at a point in time or over time requires judgement.

i) Technical Plastics

The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products. Technical plastics revenues comprise two typical project types; manufacturing and tooling projects.

Manufacturing

The majority of Technical Plastics' business is in product manufacturing.

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, at the same time as individual manufactured products are delivered to customers. There is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15.

Tooling

The Technical Plastics business also produces injection moulding tools for the customer.

Under IAS 18 tooling contract revenue was attached to a single performance obligation and was recognised over time using a cost to cost approach (i.e. the "percentage of completion method".) Under IFRS 15, an input method of measuring progress toward complete satisfaction of the performance obligation is used based on costs incurred. Accordingly, there is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15 in relation to tooling revenues within Technical Plastics.

2. Accounting policies continued

ii) LED Technologies

The LED Technologies segment designs and supplies specialised injection moulded LED based lighting systems for the premium automotive industry and supplies LED optics for various industries.

Premium Automotive Lighting

Manufacturing

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, at the same time as individual manufactured products are delivered to customers. There is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15.

Tooling

Premium Automotive Lighting contracts are complex and vary in scope and detail.

The transaction price typically comprises the total design, development and tooling value as specified in the contract

For design, development and tooling, revenue is recognised over time using an output measure of value delivered to the customer for tooling design, development and production based on milestones reached.

Under IAS 18 design, development and tooling was typically accounted for as a single performance obligation under IAS 11 Construction Contracts; revenue was recognised over time using a cost to cost approach (i.e. the "percentage of completion method".) Because of the nature of design, development and tooling contracts within Premium Automotive Lighting, where contracts are complex and vary in scope and detail, an output method of measuring progress more accurately depicts the transfer of control of design, development and tooling to the customer than a cost to cost approach. The timing of revenue recognition for output based milestones may differ under IFRS 15 depending on the specific requirements of the contract compared to input costs in determining revenue recognition.

Payments to secure new supply contracts

Payments to secure new supply contracts are common business practice in the medium-volume automotive market. Such payments are accrued in full and without discounting at the point that they become committed with a corresponding asset being recognised for the cost of obtaining the contract. This asset is amortised over the life of the contract and in line with the recognition of the contract revenues as a proportion of the total contract revenue.

Such payments were not common in the low-volume automotive market and so there is no according adjustment on transition to IFRS 15.

iii) Aerospace

The Aerospace segment manufactures components for the aerospace industry.

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, at the same time as individual manufactured products are delivered to customers. There is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements, however the overall impact on the interim financial information is not material. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Trade receivables, contract assets and cash and cash equivalents will now be classified as amortised cost, rather than loans and receivables, however as these assets were accounted for at amortised cost under IAS 39, there is no change in the carrying amount.

Trade payables and bank loans and overdrafts continue to be classified as other financial liabilities and accounted for at amortised cost.

Regarding impairment, the Group has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all assets held at amortised cost. The impact of the change in impairment methodology was not material.

3. Accounting estimates

The preparation of the half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at, and for the year ended, 31 March 2018.

4. Segment reporting

The Group is organised into three, separately managed, business segments - Technical Plastics, LED Technologies and Aerospace. These are the segments for which summarised management information is presented to the Group's chief operating decision maker (comprising the main Board and Group 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 LED Technologies segment develops innovative solutions in LED lighting, and is a leader in the development of high power LED lighting for the premium automotive industry.

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

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.

The segment results for the six months ended 30 September 2018 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement						
Total revenue	44,147	25,654	3,121	-	(1,467)	71,455
Less inter-segment revenue	(1,391)	(76)	-	-	1,467	-
Total external revenue	42,756	25,578	3,121	-	-	71,455
Expenses	(40,224)	(22,540)	(2,515)	(1,687)	-	(66,966)
Underlying operating profit	2,532	3,038	606	(1,687)	-	4,489
Exceptional items	113	-	-	(329)	-	(216)
Operating profit	2,645	3,038	606	(2,016)	-	4,273
Net finance expense						(921)
Income tax expense						(813)
Profit after tax						2,539
Consolidated statement of financial position						
Segment assets	98,326	51,577	6,920	9,643	-	166,466
Segment liabilities	(18,710)	(13,171)	(929)	(77,684)	-	(110,494)
Net assets	79,616	38,406	5,991	(68,041)	-	55,972

NOTES ON THE ACCOUNTS

4. Segment reporting continued

The segment results for the six months ended 30 September 2017 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement						
Total revenue	44,635	25,698	2,859	-	(1,014)	72,178
Less inter-segment revenue	(887)	(127)	-	-	1,014	-
Total external revenue	43,748	25,571	2,859	-	-	72,178
Expenses	(40,505)	(22,186)	(2,500)	(1,583)	-	(66,774)
Underlying operating profit	3,243	3,385	359	(1,583)	-	5,404
Exceptional items	178	-	-	(178)	-	-
Operating profit	3,421	3,385	359	(1,761)	-	5,404
Net finance expense						(854)
Income tax expense						(1,253)
Profit after tax						3,297
Consolidated statement of financial position						
Segment assets	96,032	43,574	6,473	12,782	-	158,861
Segment liabilities	(17,069)	(8,084)	(654)	(84,015)	-	(109,822)
Net assets	78,963	35,490	5,819	(71,233)	-	49,039

The segment results for the year ended 31 March 2018 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement						
Total revenue	92,237	50,707	6,072	-	(2,802)	146,214
Less inter-segment revenue	(2,584)	(118)	(100)	-	2,802	-
Total external revenue	89,653	50,589	5,972	-	-	146,214
Expenses	(82,980)	(44,167)	(5,225)	(3,031)	-	(135,403)
Underlying operating profit	6,673	6,422	747	(3,031)	-	10,811
Exceptional items	(98)	-	-	(806)	-	(904)
Operating profit	6,575	6,422	747	(3,837)	-	9,907
Net finance expense						(1,740)
Income tax credit						325
Profit after tax						8,492
Consolidated statement of financial position						
Segment assets	100,640	44,164	6,486	8,771	-	160,061
Segment liabilities	(22,516)	(9,698)	(784)	(75,044)	-	(108,042)
Net assets	78,124	34,466	5,702	(66,273)	-	52,019

NOTES ON THE ACCOUNTS

5. Exceptional items

	Six Months Ended 30 September 2018 £000	Six Months Ended 30 September 2017 £000	Year ended 31 March 2018 £000
Rationalisation and restructuring costs	**(303)**	(71)	(842)
Credit arising on the disposal of surplus properties	**137**	71	4
Costs associated with proposed offer	**(50)**	-	-
Impairment of CIT Technology	**-**	-	(66)
	(216)	-	(904)

£0.215 million of rationalisation and restructuring costs relate to the Group's UK operations.

6. Net finance expense

	Six Months Ended 30 September 2018 £000	Six Months Ended 30 September 2017 £000	Year ended 31 March 2018 £000
Interest receivable on cash and cash deposits	**57**	57	99
Interest payable on bank loans, overdrafts and finance leases	**(578)**	(490)	(1,009)
Net interest on the net defined benefit liability	**(400)**	(421)	(830)
	(921)	(854)	(1,740)

7. Income tax expense

	Six Months Ended 30 September 2018 £000	Six Months Ended 30 September 2017 £000	Year ended 31 March 2018 £000
The (expense) / credit recognised in the condensed consolidated income statement comprises -			
Tax (expense) / credit arising on ordinary activities	**(856)**	(1,253)	122
Deferred tax credit arising on exceptional items	**-**	-	11
Current tax credit arising on exceptional items	**43**	-	192
	(813)	(1,253)	325

The half year accounts include an underlying tax charge of 24.0% of profit before tax (2017 - 27.5%) 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% (2017 - 19.0%) as the Group is earning a higher proportion of its profits in higher tax jurisdictions.

During the six months ended 30 September 2018 a £0.080 million debit was recognised in other comprehensive income in respect of deferred tax arising on remeasurement gains on the defined benefit obligations.

Deferred tax assets and liabilities at 30 September 2018 have been calculated on the rates substantively enacted at the balance sheet date. The UK Finance Bill 2016 provides for a reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020. This rate became substantively enacted on 6 September 2016. This will reduce the UK companies' future current tax charge accordingly. The deferred tax asset at 30 September 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares outstanding during the period.

The calculation of diluted earnings per share is based on profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares outstanding during the period (adjusted for dilutive options).

The following details the profit and average number of shares used in calculating the basic and diluted earnings per share -

	Six months ended 30 September 2018 £000	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Profit after tax from continuing operations	**2,539**	3,297	8,492
Loss attributable to non-controlling interests	**-**	-	-
Profit after tax, attributable to equity holders of the parent	**2,539**	3,297	8,492

	Six months ended 30 September 2018 Shares	Six months ended 30 September 2017 Shares	Year ended 31 March 2018 Shares
Weighted average number of ordinary shares in the period	**73,332,270**	73,416,599	73,210,394
Effect of share options in issue	**-**	1,120	1,296
Weighted average number of ordinary shares (diluted) in the period	**73,332,270**	73,417,719	73,211,690

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

The following table reconciles the Group's profit to underlying profit used in the numerator in calculating underlying earnings per share -	**Six months ended 30 September 2018 £000**	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Profit after tax, attributable to equity holders of the parent	**2,539**	3,297	8,492
Rationalisation and restructuring costs, net of tax	**244**	58	651
Credit arising on the disposal of surplus properties, net of tax	**(112)**	(58)	(3)
Impairment review of CIT Technology, net of tax	**-**	-	53
Costs associated with proposed offer, net of tax	**41**	-	-
Tax credit resulting from the US Tax Cuts and Jobs Act	**-**	-	(1,990)
Underlying profit attributable to equity holders of the parent	**2,712**	3,297	7,203

The following table summarises the earnings per share figures based on the above data –	**Six months ended 30 September 2018 Pence**	Six months ended 30 September 2017 Pence	Year ended 31 March 2018 Pence
Basic	**3.5**	4.5	11.6
Diluted	**3.5**	4.5	11.6
Underlying earnings per share - basic	**3.7**	4.5	9.8
Underlying earnings per share - diluted	**3.7**	4.5	9.8

9. Dividends paid and proposed

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

As outlined in the annual report 2018 the directors are not proposing an interim dividend for 2018/19.

10. Intangible assets	**Six months ended 30 September 2018 £000**	Six months ended 30 September 2017 £000	Year Ended 31 March 2018 £000
The movements in the carrying value of intangible assets are summarised as follows –			
Net book value at the start of the period	**25,311**	25,702	25,702
Additions	**64**	62	350
Disposals	**-**	-	(1)
Impairment arising on review of CIT Technology	**-**	-	(66)
Amortisation	**(162)**	(139)	(281)
Effect of movements in foreign exchange	**611**	(169)	(393)
Net book value at the end of the period	**25,824**	25,456	25,311

Included within intangible assets is goodwill of £24.5 million (30 September 2017 - £24.1 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 2018, 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	**Six months ended 30 September 2018 £000**	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
The movements in the carrying value of property, plant and equipment are summarised as follows –			
Net book value at the start of the period	**46,446**	43,423	43,423
Additions	**5,033**	5,745	9,275
Depreciation	**(2,528)**	(2,369)	(4,732)
Disposals	**(21)**	(61)	(69)
Effect of movements in foreign exchange	**792**	(890)	(1,451)
Net book value at the end of the period	**49,722**	45,848	46,446

12. Non current assets classified as held for sale	**As at 30 September 2018 £000**	As at 30 September 2017 £000	As at 31 March 2018 £000
Surplus land and buildings	**-**	200	200
Net book value at the end of the period	**-**	200	200

During the period ended 30 September 2018 the remaining property at the closed Harthill site was sold.

13. Retirement benefit obligations

At 31 March 2018 the Group had a retirement benefit liability, as calculated under the provisions of IAS 19 "Employee Benefits", of £29.8 million. Since the start of the current financial year, positive asset returns of £0.7 million have been offset by £6.3 million of benefit payments which has resulted in the scheme's assets decreasing in value by £5.6 million to £164.5 million. However, the impact of an increase in the discount rate used to evaluate the scheme's liabilities, from 2.7% at the start of the period to 2.9% has offset the interest expense arising on the liabilities which, combined with the benefit payments, has resulted in the value of the liabilities decreasing by £5.9 million to £193.9 million. As a consequence the scheme, on an IAS 19 basis, has decreased from a £29.8 million liability at 31 March 2018 to a £29.5 million liability at 30 September 2018.

14. Cash generated from operations	**Six months ended 30 September 2018 £000**	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Operating profit	**4,273**	5,404	9,907
Adjustments for –			
Pension fund contributions in excess of service costs	**-**	-	(1,227)
Depreciation charge	**2,528**	2,369	4,732
Amortisation of intangible assets	**162**	139	281
Exceptional impairment of intangible assets, arising on rationalisation of business	**-**	-	66
(Profit) / loss on disposal of other plant and equipment	**(112)**	7	22
Cash flow relating to provision for site closure costs	**(63)**	(201)	(209)
Share based payment charge / (credit)	**152**	249	(40)
Operating cash flow before changes in working capital	**6,940**	7,967	13,532
Changes in working capital			
Decrease / (increase) in inventories	**97**	(327)	(1,218)
Increase in trade and other receivables	**(4,225)**	(442)	(8,842)
(Decrease) / increase in trade and other payables	**(1,163)**	(3,653)	2,785
Cash generated from operations	**1,649**	3,545	6,257

15. Cash and cash equivalents	**As at 30 September 2018 £000**	As at 30 September 2017 £000	As at 31 March 2018 £000
Cash and cash deposits	**10,867**	19,271	12,962
Bank overdrafts	**(14,907)**	(19,077)	(15,185)
	(4,040)	194	(2,223)

16. Net debt

The net movement in cash and cash equivalents can be reconciled to the change in net debt in the period as follows -	**Six months ended 30 September 2018 £000**	Six months ended 30 September 2017 £000	Year ended 31 March 2018 £000
Net decrease in cash and cash equivalents	**(2,038)**	(2,799)	(4,926)
Net drawings of term loan borrowings	**-**	(750)	(750)
Net proceeds of finance leases	**(1,771)**	-	-
	(3,809)	(3,549)	(5,676)
Effect of exchange rate fluctuations on net debt	**(634)**	(52)	225
	(4,443)	(3,601)	(5,451)
Net debt at start of period	**(31,476)**	(26,025)	(26,025)
Net debt at end of period	**(35,919)**	(29,626)	(31,476)

	As at 30 September 2018 £000	As at 30 September 2017 £000	At at 31 March 2018 £000
Cash and cash deposits	**10,867**	19,271	12,962
Bank overdrafts	**(14,907)**	(19,077)	(15,185)
Bank loans	**(30,108)**	(29,820)	(29,253)
Finance leases	**(1,771)**	-	-
	(35,919)	(29,626)	(31,476)

As at 30 September 2018 the Group's term loan of £30m was fully drawn. In addition the Group has access to £15m of overdraft, repayable on demand, plus an additional £2m of overdraft facility expiring at the end of February 2019.

17. Financial instruments

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

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

18. Ordinary share capital

	Number of shares	**£000**
Ordinary shares of 5 pence each -		
Issued and fully paid at 31 March 2017	73,007,668	3,650
Shares issued on exercise of share options	279,250	14
Issued and fully paid at 30 September 2017 and 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	**73,419,193**	**3,671**

In the six months ended 30 September 2018, nil-cost options over 132,275 ordinary shares were exercised under a long term incentive plan at an average exercise price of 0.0 pence per share. The shares are fully paid.

NOTES ON THE ACCOUNTS

19. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, its directors and executive officers and the Group pension 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 2018, remuneration to current and former directors amounted to £0.544 million (2017 - £0.716 million).

Group pension scheme

Carclo employs a third party professional firm to administer the Group pension scheme. The associated investment costs are borne by the scheme in full. From 1 April 2007, it has been agreed with the trustees of the pension scheme that, under the terms of the recovery plan, Carclo would bear the scheme's administration costs whilst ever the scheme was in deficit, as calculated at the triennial valuation. Carclo incurred an administration cost of £0.247 million which has been charged against other operating expenses (2017 - £0.265 million).

20. Post balance sheet events

In October 2018, the Group made deficit recovery payments of £1.2 million in cash into the Group pension scheme in accordance with the agreed funding plan.

A UK High Court judgement was made on 26 October 2018 in respect of the gender equalisation of guaranteed minimum pensions ("GMPs") for occupational pension schemes. This will be treated for IAS 19 purposes as a plan amendment and will result in an increase in the pension deficit in the balance sheet and a corresponding past service cost in the income statement. This will be treated as an exceptional item so there will be no impact on underlying operating profit. It is expected that the impact of GMP equalisation will be in the region of £3.0 million based on an initial estimate as at the date of this report, but this estimate will be refined in line with emerging practice of the method to be used.

In October 2018 a rationalisation of the Czech facility was announced. We expect restructuring costs of c. £1.0m, the majority of which is expected to be incurred during the second half of the current financial year.

21. Seasonality

There are no specific seasonal factors which impact on the demand for products and services supplied by the Group, other than for the timing of holidays and customer shutdowns. These tend to fall predominantly in the first half of Carclo's financial year and, as a result, revenues and profits are usually higher in the second half of the financial year compared to the first half.

22 Responsibility statement

We confirm that to the best of our knowledge -

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;
- the interim management report includes a fair review of the information required by -

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Chris Malley – Chief Executive

Sarah Matthews-DeMers – Group Finance Director

13 November 2018

INDEPENDENT REVIEW REPORT TO CARCLO PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

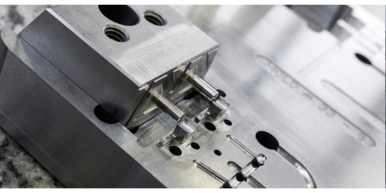
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

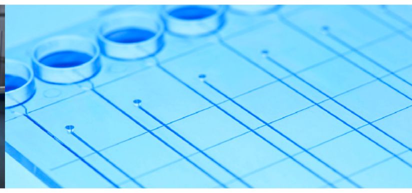
John Pass

For and on behalf of

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

13 November 2018





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