Carclo plc
Interim Report and Accounts
Half Year Results for the six months ended 30 September 2021

Carclo plc, a global provider of value-adding engineered solutions for the medical, diagnostics, optical, electronics and aerospace industries, announces its results for the six months to 30 September 2021 ("H1 2022").

The key financial performance measures for H1 2022 are summarised below:

	H1 2022	H1 2021
	£000	£000
Revenue from continuing operations	**58,672**	49,950
Underlying(1) operating profit from continuing operations	**3,682**	1,529
Underlying(1) profit before tax from continuing operations	**2,279**	437
Underlying(1) earnings per share from continuing operations	**2.5p**	0.0p
Statutory operating profit from continuing operations	**5,769**	227
Statutory profit/(loss) before tax from continuing operations	**4,366**	(865)
Statutory profit/(loss) for the period	**5,487**	(1,321)
Basic earnings/(loss) per share	**7.5p**	(1.8p)
Net debt excluding lease liabilities	**21,613**	24,415
Net debt	**28,371**	29,358
Retirement benefit obligations	**33,407**	58,121

Revenue from continuing operations		
Technical Plastics (CTP)	56,583	47,214
Aerospace	2,089	2,736
Total	**58,672**	**49,950**
Underlying operating profit from continuing operations(1)		
Technical Plastics (CTP)	4,784	3,226
Aerospace	227	484
Central	(1,329)	(2,181)
Total	**3,682**	**1,529**
Underlying EBITDA from continuing operations(1)	**6,863**	**4,576**

Highlights

- Strong trading momentum and operational execution throughout the period delivered significant growth in both revenues and underlying operating margins
- Total revenues of £58.7m, up 17.5% on the prior year (H1 2021: £50.0m)
  - Technical Plastics ("CTP") total revenues up 19.8% to £56.6m, tooling income up 48.2% to £9.1m, product sales up 15.6%
  - Higher tooling income reflects new business wins, further building the pipeline for future product sales growth
  - Aerospace revenue down £0.6m (23.6%) against a comparative period which benefited from the fulfilment of a strong pre-Covid order pipeline
- Underlying Operating Profit more than doubled to £3.7m (H1 2021: £1.5m) excluding the benefit of £2.1m of non-repeating US Covid grant income
- Statutory operating profit of £5.8m (H1 2021: £0.2m)
- Discontinued business income received of £0.7m from residual claims on LED Technologies business disposal (H1 2021: £nil)
- Net debt excluding lease liabilities at 30 September 2021 was £21.6m, a reduction of £2.8m compared to 30 September 2020.
- Net debt reduced by £1.0m to £28.4m (H1 2021: £29.4m), an increase of £0.8m in the six months to 30 September 2021, including £3.5m inventory increase mainly to protect materials availability against current supply chain uncertainties
- IAS19 Retirement Benefit liability down to £33.4m, reduced by £24.7m since September 2020 (and reduced by £3.9m since March 2021) from improved asset returns, additional employer contributions, and initiatives progressed with the Trustees

Notes:

(1) underlying results are those calculated before discontinued operations, separately disclosed items and exceptional items. A reconciliation to statutory figures is set out below.

Reconciliation of non-GAAP financial measures - **H1 2022**

£m	Statutory	Exceptional items	Before exceptional	COVID-related US grant	Underlying
CTP operating profit	6,871	-	6,871	2,087	4,784
Aerospace operating profit	227	-	227	-	227
Central costs	(1,329)	-	(1,329)	-	(1,329)
Group operating profit from continuing operations	5,769	-	5,769	2,087	3,682
Net finance expense	(1,403)	-	(1,403)	-	(1,403)
Group profit before taxation	4,366	-	4,366	2,087	2,279
Taxation credit / (expense)	428	893	(465)	-	(465)
Group profit for the period from continuing operations	4,794	-	3,901	2,087	1,814
Profit on discontinued operations, net of tax	693	693	-	-	-
Group profit for the period	5,487	1,596	3,901	2,087	1,814
Basic earnings per share (pence)	7.5p	2.2p	5.3p	2.8p	2.5p

Commenting on the results, Nick Sanders, Executive Chairman, said:

"The Group continued to make good progress in the first half of the financial year. In common with many companies, we experienced significant Covid-related operational headwinds, but despite these delivered a strong set of financial results. Our first half performance is ahead of our expectations even after the impact of one-off benefits is removed.

Our primary focus has been to continue to ensure our employees and communities remain safe, whilst increasing output in line with customer demand. This has been achieved despite the continuing effect of mandatory lockdowns and production restrictions in some countries.

Demand for CTP products in the medical and diagnostic sectors has continued to increase from both existing and new customers and we expect this will continue in the post-pandemic period. Labour shortages and increased labour costs, particularly in the US, increased raw material costs and extended logistic lead times have all presented significant challenges in the first half. We have responded by implementing a range of measures and have been able to mitigate some of the impact of cost pressures by increasing prices.

While maintaining our usual high level of delivery performance has been difficult in recent months, and this situation will take some months yet to fully recover, we nevertheless have been able to strengthen our customer and supply chain relationships in working through these challenges together.

Encouragingly, our CTP businesses in Asia have performed strongly in line with our strategy to grow more rapidly outside of our traditionally strong US and European markets.

We have also benefited from strong demand for tooling with significant orders received for both replacement and new projects. Tooling orders are generally a precursor to production orders which provides us with optimism about future demand.

Our Aerospace division is also showing the early signs of recovery with order intake in the first half exceeding sales. A number of new contracts with existing and some new customers have also been secured. It will however take some time for these orders to feed through into sales and profit.

Central costs have been well managed, and our continued focus of cash management has again delivered good cash headroom and reduced bank debt. The Group has also worked closely with the Pension Trustees to develop enhancements to the pension schemes which improve scheme benefits and reduce the overall deficit.

Subject to there being no significant deterioration in trading conditions as a result of supply chain or Covid-related disruption, the Board expects the positive commercial momentum seen in the first half to continue, with further product sales growth in H2. Trading margins for the second half are expected to be slightly lower than H1, reflecting the current higher cost environment. Nevertheless, the Board currently anticipates full year underlying trading will be slightly ahead of expectations, with the one-off benefits of the Covid-related grant income and contribution from discontinued operations incremental to this.

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 of the Annual Report and Accounts (ARA) for the year ended 31 March 2021, with a reconciliation to statutory figures included in this Half Year Report to aid the user of these accounts. The Directors believe that alternative performance measures provide a more useful comparison of business trends and performance. The term 'underlying' is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. Operating profit before exceptional items is not referred to in the ARA for the year ended 31 March 2021.

Overview of Results

The Group delivered a strong trading performance in H1 2022, ahead of the Board's expectations, making progress over the prior year period on all the listed key performance measures. This was achieved despite continuing Covid-related headwinds on the Carclo supply chain, in common with many international businesses.

Comparing all results with H1 2021, Group revenues rose 17.5% to £58.7m (H1 2021: £50.0m).

Technical Plastics ("CTP") revenues rose 19.8% to £56.6m (H1 2021: £47.2m), including a 15.6% increase in product sales to £47.5m (H1 2021: £41.1m) and a 48.2% increase in tooling income to £9.1m (H1 2021: £6.1m).

The higher proportion of new and existing business converted into tooling income in the period will also help drive on subsequent product sales.

CTP underlying operating profit rose by 48.3% to £4.8m (H1 2021: £3.2m) as a result of improved tooling and product sales, with an additional £2.1m recognised in respect of a Covid-related US government loan which was forgiven and converted into grant income in H1 2022. All other Covid-related costs and credits are also included in operating profit. Other non-US Covid-related credits amounted to £0.1m in the period.

As anticipated, Aerospace revenue of £2.1m was down £0.6m on the previous period which benefited from a high pre-Covid order pipeline. Whilst the aerospace industry remains heavily impacted by the pandemic, the division continued to be profitable with £0.2m delivered in the period, a reduction of £0.3m. Encouragingly, the division is already seeing orders recover. These have been tracking ahead of revenues for the Aerospace business over recent months and will gradually benefit sales as the orders convert.

On a constant currency basis revenue from continuing operations increased by 23.3%, and underlying operating profit by 149.7%.

Central costs have been well managed, and our continued focus on cash management has again delivered good cash headroom and helped reduce net bank debt to £21.6m (H1 2021: £24.4m). Central costs including pension administration costs reduced from £2.2m to £1.3m and finance costs increased from £1.1m to £1.4m. Finance costs comprise net interest payable on bank loans and leases of £1.0m (H1 2021: £0.7m) including bank commitment fees, and net interest on the defined benefit pension liability of £0.4m (H1 2021: £0.4m).

There were no exceptional costs recognised in the period (H1 2021: £1.3m). The Board concluded that Covid-related costs and credits, given the indeterminate nature of evaluating the additional costs, should all be included within operating costs.

A further residual £0.7m was received following final distribution by administrators of the discontinued LED business exited in December 2019, with the income being shown separately from continuing operations.

The Group statutory profit before tax was £4.4m (H1 2021: loss (£0.9m)).

Taxation was a credit of £0.4m against a statutory profit before tax of £4.4m, giving an effective tax credit rate of 8.5% (H1 2021: tax expense £0.5m giving a 52.7% effective tax rate on a pre-tax loss of £0.9m). The result includes a £0.9m credit from renewed deferred tax asset recognition from UK combined businesses which have returned to forecasting taxable profits, providing available tax losses to be set off against future profits. The underlying effective tax rate, after excluding the deferred tax credit of £0.9 million, amounts to 20.4% of underlying profit before tax (H1 2021: 104.3%).

Underlying earnings per share from continuing operations for H1 2022 was 2.5 pence (H1 2021: 0.0 pence). The statutory earnings per share for the period, for all operations, was 7.5 pence (H1 2021: loss of 1.8 pence).

Board changes

As reported in our Full Year Results on 30 June 2021, Peter Slabbert and David Toohey stepped down from the Board as Non-Executive Directors on 31 March 2021 and 30 April 2021 respectively.

Eric Hutchinson and Frank Doorenbosch were appointed to the Board as Non-Executive Directors on 7 January 2021 and 1 February 2021 respectively. Eric became Chair of the Audit Committee in March 2021, taking over from Peter Slabbert. Frank took over as Chair of the Remuneration Committee in April 2021 following David Toohey's departure.

Financial Position

Cash generated from continuing operations during the first half was £2.0m (H1 2021: £0.6m), including increased cash payments (net of administration costs) into the pension scheme of £1.8m (H1 2021: £1.0m) and a net working capital increase of £3.3m (H1 2021: £2.3m), of which £3.5m related to inventory increases mainly to protect operations amidst post-Covid supply chain disruption.

Gross cash capital expenditure for the period was £3.5m (H1 2021: £0.8m).

As a result, net debt excluding lease liabilities reduced by £2.8m to £21.6m (H1 2021: £24.4m), and net debt reduced by £1.0m to £28.4m compared to 30 September 2021.

At 30 September 2021, the Group's total UK bank facilities were £33.6m of which £30.1m related to a term loan and £3.5m to a revolving credit facility.

No additional government COVID-19 support was received in cash during the period (H1 2021: £3.9m of which £2.6m was presented within interest bearing loans and borrowings).

The Group's IAS 19 pension deficit reduced to £33.4m as at 30 September 2021 (30 September 2020: £58.1m and 31 March 2021: £37.3m) on additional contributions made by the Group, backed by improved asset returns and initiatives progressed with the Trustees. No change was made in the discount rate assumption of 2.0% since March 2021 and no changes were made at this stage in the mortality assessments. No initial data has yet been released on the triennial actuarial valuation of March 2021. Relevant data here will be taken into account to the extent that it is available for IAS19 valuation purposes at the end of the financial year.

In accordance with the recovery plan agreed by the Pensions Regulator and pension scheme trustees, total contributions paid by the Company (for deficit recovery contributions and scheme administration costs) for the six-month period were £2.1m (H1 2021: £1.1m). Total contributions for the six-month period to 31 March 2022 are expected to be £1.8m.

Dividend
Under the terms of its financing agreements the Company is not permitted to make a dividend payment to shareholders up to the period ending in July 2023.

Outlook
Subject to there being no significant deterioration in trading conditions as a result of supply chain or Covid-related disruption, the Board expects the positive commercial momentum seen in the first half to continue, with further product sales growth in H2. Trading margins for the second half are expected to be slightly lower than H1, reflecting the current higher cost environment. Nevertheless, the Board currently anticipates full year underlying trading will be slightly ahead of expectations, with the one-off benefits of the Covid-related grant income and contribution from discontinued operations incremental to this.

Principal Risks and Uncertainties
In the Annual Report for the year ended 31 March 2021 a detailed review of the principal risks faced by the Group, and how these risks were being managed, was provided. We continue to face, and proactively manage, the risks and uncertainties in our business and, whilst the Board considers that these principal risks and uncertainties have not materially changed since the publication of the 2021 Annual Report, it is worth noting that:

- COVID-19 related uncertainty continues as to the impact on the Group's markets and geographies evolving over time. It is possible that the Group's operations, its supply chains and customer demand could continue to be further impacted, particularly in the US, where labour and material shortage experience has been most acute;

- the impact of Brexit has to some extent become intertwined with post-Covid impact on labour and materials resource shortages in the supply chain and as such is seen as a lesser but contributory factor in the COVID-19 risks identified above; and

- during the current period significant new tooling agreements have been either entered into or progressed with new and existing customers. These agreements and pending subsequent agreements for the supply of manufactured product are subject to operational execution risk.

Going Concern
These interim financial statements have been prepared on a going concern basis as detailed in Note 1 to these interim accounts. While headroom against banking covenants has increased significantly over the last 6 months, it should continue to be noted that any material manifestation of the above risks, individually or in combination, could lead to a breach of the Group's banking covenants. Management has considered the impact of potential mitigations including improved trading, cost saving and working capital management initiatives, as well as compensation from customers in respect of delays and it considers that the potential benefits from these give sufficient comfort that the downside risks can be mitigated. If it were not possible to mitigate a potential breach the bank would be approached to request that it considers issuing a waiver for any covenant that may be breached.

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,

Nick Sanders	**Phil White**
Executive Chairman	Chief Financial Officer

18 November 2021

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	Non-current asset additions
NET BANK INTEREST	Interest receivable on cash at bank less interest payable on bank loans and overdrafts. Reported in this manner due to the global nature of the Group and its banking agreements
NET DEBT	Cash and cash deposits less loans and borrowings. Used to report the overall financial debt of the Group in a manner that is easy to understand
NET DEBT EXCLUDING LEASE LIABILITIES	Net debt, as defined above, excluding lease liabilities. Used to report the overall non-leasing debt of the Group in a manner that is easy to understand
EBITDA	Profit before interest, tax, depreciation and amortisation adjusted to exclude all exceptional and separately disclosed items
UNDERLYING	Adjusted to exclude all exceptional and separately disclosed items
UNDERLYING EBITDA	Profit before interest, tax, depreciation and amortisation adjusted to exclude all exceptional and separately disclosed items
UNDERLYING EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional and separately disclosed items
UNDERLYING OPERATING PROFIT	Operating profit adjusted to exclude all exceptional and separately disclosed items
UNDERLYING PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional and separately disclosed items
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	Statutory operating profit adjusted to exclude all exceptional items

Condensed consolidated income statement

	Notes	**Six months ended 30 September 2021 unaudited £000**		Six months ended 30 September 2020 unaudited £000		Year ended 31 March 2021 audited £000
Continuing operations:						
Revenue	4	**58,672**		49,950		107,564
Underlying operating profit		**3,682**		1,529		4,840
COVID related US government grant income	7	**2,087**		-		-
Operating profit before exceptional items		**5,769**		1,529		4,840
Exceptional items	6	**-**		(1,302)		4,490
Operating profit	4	**5,769**		227		9,330
Finance revenue	8	**34**		57		42
Finance expense	8	**(1,437)**		(1,149)		(2,701)
Profit / (loss) before tax		**4,366**		(865)		6,671
Income tax credit / (expense)	9	**428**		(456)		(457)
Profit / (loss) after tax but before profit on discontinued operations		**4,794**		(1,321)		6,214
Discontinued operations:						
Profit on discontinued operations, net of tax	6	**693**		**-**		1,198
Profit / (loss) for the period		**5,487**		(1,321)		7,412
Attributable to:						
Equity holders of the parent company		**5,487**		(1,321)		7,412
Non-controlling interests		**-**		-		-
		5,487		(1,321)		7,412
Earnings / (loss) per ordinary share	10					
Basic - continuing operations		**6.5**	**p**	(1.8)	p	8.5 p
Basic - discontinued operations		**0.9**	**p**	-	p	1.6 p
Basic		**7.5**	**p**	(1.8)	p	10.1 p
Diluted - continuing operations		**6.5**	**p**	(1.8)	p	8.5 p
Diluted - discontinued operations		**0.9**	**p**	-	p	1.6 p
Diluted		**7.5**	**p**	(1.8)	p	10.1 p

Condensed consolidated statement of comprehensive income

	Six months ended 30 September 2021 unaudited £000	Six months ended 30 September 2020 unaudited £000	Year ended 31 March 2021 audited £000
Profit / (loss) for the period	**5,487**	(1,321)	7,412
Other comprehensive income / (expense):			
Items that will not be reclassified to the income statement			
Remeasurement gains / (losses) on defined benefit scheme	**2,730**	(20,714)	(6,540)
Total items that will not be reclassified to the income statement	**2,730**	(20,714)	(6,540)
Items that will or may in the future be classified to the income statement			
Foreign exchange translation differences	**913**	(79)	(2,939)
Net investment hedge	**(205)**	(18)	1,084
Deferred tax arising	**236**	57	137
Total items that will or may in future be classified to the income statement	**944**	(40)	(1,718)
Other comprehensive income / (expense), net of income tax	**3,674**	(20,754)	(8,258)
Total comprehensive income / (expense) for the period	**9,161**	(22,075)	(846)
Attributable to:			
Equity holders of the Company	**9,161**	(22,075)	(846)
Non-controlling interests	**-**	-	-
Total comprehensive income / (expense) for the period	**9,161**	(22,075)	(846)

Condensed consolidated statement of financial position

	Notes	**30 September 2021 unaudited £000**	30 September 2020 unaudited £000	31 March 2021 audited £000
Non-current assets				
Intangible assets	12	**22,214**	22,863	21,848
Property, plant and equipment	13	**43,632**	40,127	43,218
Deferred tax assets		**1,500**	338	384
Trade and other receivables		**114**	116	112
Total non-current assets		**67,460**	63,444	65,562
Current assets				
Inventories		**16,355**	13,968	12,821
Contract assets		**6,131**	3,519	2,898
Trade and other receivables		**23,172**	19,665	19,254
Cash and cash deposits	16	**10,394**	23,379	15,485
Current tax assets		**538**	-	-
Total current assets		**56,590**	60,531	50,458
Total assets		**124,050**	123,975	116,020
Non-current liabilities				
Loans and borrowings	17	**36,014**	38,738	37,997
Deferred tax liabilities		**4,577**	4,315	4,393
Contract liabilities		**-**	426	866
Retirement benefit obligations	14	**33,407**	58,121	37,275
Total non-current liabilities		**73,998**	101,600	80,531
Current liabilities				
Loans and borrowings	17	**2,751**	13,999	5,084
Trade and other payables		**21,022**	17,174	17,016
Current tax liabilities		**534**	558	17
Contract liabilities		**8,654**	3,877	5,461
Provisions		**-**	18	-
Total current liabilities		**32,961**	35,626	27,578
Total liabilities		**106,959**	137,226	108,109
Net assets / (liabilities)		**17,091**	(13,251)	7,911
Equity				
Ordinary share capital issued	19	**3,671**	3,671	3,671
Share premium		**7,359**	7,359	7,359
Translation reserve		**6,277**	7,011	5,333
Retained earnings		**(190)**	(31,266)	(8,426)
Total equity attributable to equity holders of the Company		**17,117**	(13,225)	7,937
Non-controlling interests		**(26)**	(26)	(26)
Total equity		**17,091**	(13,251)	7,911

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 2021	**3,671**	**7,359**	**5,333**	**(8,426)**	**7,937**	**(26)**	**7,911**
Profit for the period	**-**	**-**	**-**	**5,487**	**5,487**	**-**	**5,487**
Other comprehensive income:							
Foreign exchange translation differences	**-**	**-**	**913**	**-**	**913**	**-**	**913**
Net investment hedge	**-**	**-**	**(205)**	**-**	**(205)**	**-**	**(205)**
Remeasurement gains on defined benefit scheme	**-**	**-**	**-**	**2,730**	**2,730**	**-**	**2,730**
Taxation on items above	**-**	**-**	**236**	**-**	**236**	**-**	**236**
Total comprehensive income for the period	**-**	**-**	**944**	**8,217**	**9,161**	**-**	**9,161**
Transactions with owners recorded directly in equity:							
Share based payments	**-**	**-**	**-**	**19**	**19**	**-**	**19**
Balance at 30 September 2021	**3,671**	**7,359**	**6,277**	**(190)**	**17,117**	**(26)**	**17,091**
Prior half year period unaudited							
Balance at 1 April 2020	3,671	7,359	7,051	(9,324)	8,757	(26)	8,731
Loss for the period	-	-	-	(1,321)	(1,321)	-	(1,321)
Other comprehensive income:							
Foreign exchange translation differences	-	-	(79)	-	(79)	-	(79)
Net investment hedge	**-**	**-**	(18)	**-**	(18)	**-**	(18)
Remeasurement losses on defined benefit scheme	-	-	-	(20,714)	(20,714)	-	(20,714)
Taxation on items above	-	-	57	-	57	-	57
Total comprehensive loss for the period	-	-	(40)	(22,035)	(22,075)	-	(22,075)
Transactions with owners recorded directly in equity:							
Share based payments	-	-	-	93	93	-	93
Balance at 30 September 2020	3,671	7,359	7,011	(31,266)	(13,225)	(26)	(13,251)

Condensed consolidated statement of changes in equity continued

	Attributable to equity holders of the Company						
	Share capital £000	**Share premium £000**	**Translation reserve £000**	**Retained earnings £000**	**Total £000**	**Non-controlling interests £000**	**Total equity £000**
Prior year - audited							
Balance at 1 April 2020	3,671	7,359	7,051	(9,324)	8,757	(26)	8,731
Profit for the year	-	-	-	7,412	7,412	-	7,412
Other comprehensive (loss) / income:							
Foreign exchange translation differences	-	-	(2,939)	-	(2,939)	-	(2,939)
Net investment hedge	-	-	1,084	-	1,084	-	1,084
Remeasurement losses on defined benefit scheme	-	-	-	(6,540)	(6,540)	-	(6,540)
Taxation on items above	-	-	137	-	137	-	137
Total comprehensive (loss) / income for the period	-	-	(1,718)	872	(846)	-	(846)
Transactions with owners recorded directly in equity:				-			
Share based payments	-	-	-	26	26	-	26
Balance at 31 March 2021	3,671	7,359	5,333	(8,426)	7,937	(26)	7,911

Condensed consolidated statement of cash flows

	Notes	**Six months ended 30 September 2021 unaudited £000**	Six months ended 30 September 2020 unaudited £000	Year ended 31 March 2021 audited £000
Cash generated from operations	15	**2,020**	570	11,202
Interest paid		**(983)**	(725)	(1,782)
Tax paid		**(486)**	(342)	(1,023)
Net cash from / (used in) operating activities		**551**	(497)	8,397
Cash flows from investing activities				
Proceeds from sale of business, net of cash disposed		**693**	-	1,250
Proceeds from sale of property, plant and equipment		**25**	-	21
Interest received		**34**	57	42
Purchase of property, plant and equipment		**(3,514)**	(730)	(7,180)
Purchase of intangible assets - computer software		**(15)**	(80)	(139)
Net cash used in investing activities		**(2,777)**	(753)	(6,006)
Cash flows from financing activities				
Drawings on new facilities		**-**	32,221	36,454
Transaction costs associated with the issue of debt		**-**	-	(380)
Repayment of borrowings excluding lease liabilities		**(2,247)**	(28,147)	(31,666)
Receipt of government support loans	7	**-**	2,589	2,243
Repayment of lease liabilities		**(866)**	(905)	(1,601)
Net cash (used in) / from financing activities		**(3,113)**	5,758	5,050
Net (decrease) / increase in cash and cash equivalents		**(5,339)**	4,508	7,441
Cash and cash equivalents at beginning of period		**15,485**	8,352	8,352
Effect of exchange rate fluctuations on cash held		**248**	(153)	(308)
Cash and cash equivalents at end of period	16	**10,394**	12,707	15,485

1. Basis of preparation

The condensed consolidated half year report for Carclo plc ("Carclo" or "the Group") for the six months ended 30 September 2021 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2021 and in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority and the requirements of UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

The financial information is unaudited.

The half year report does not constitute financial statements and does not include all the information and disclosures required for full annual statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 March 2021 which is available either on request from the Company’s registered office, Unit 5, Silkwood Court, Ossett, WF5 9TP, or can be downloaded from the corporate website - www.carclo-plc.com.

The comparative figures for the financial year ended 31 March 2021 are not the Company’s complete statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) of the Companies Act 2006.

The half year report was approved by the Board of Directors on 18 November 2021. Copies are available from the corporate website.

The Group financial statements for the year ended 31 March 2021 were prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (“Adopted IFRSs”).

Going concern

The interim financial statements are prepared on the going concern basis.

The Directors have reviewed cash flow and covenant forecasts to cover the twelve-month period from the date of the approval of these condensed interim financial statements considering the Group’s available debt facilities and the terms of the arrangements with the Group’s bank and the Group pension scheme which were disclosed in Note 1, Basis of Preparation - Going Concern, to the Group’s consolidated financial statements for the year ended 31 March 2021.

Net debt at 30 September 2021 was £28.4 million, rising from £27.6 million at 31 March 2021 (30 September 2020: £29.4 million) and is forecast to increase over the twelve-month period driven by capital investment and net working capital outflows to support business growth. The Group’s financing remains within banking covenants as at 30 September 2021 and the base case forecasts demonstrate that the Group has more than sufficient liquidity and covenant headroom throughout the forecast period.

COVID-19 related uncertainty and the resulting supply chain disruption and cost increases continue to impact the Group’s markets and geographies and the situation is evolving over time. It is possible that the Group’s operations, its supply chains and customer demand could continue to be further impacted, particularly in the US, where labour and material shortage experience has been most acute. Any material manifestation of these or other uncertainties could lead to a breach of the Group’s banking covenants.

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

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, exchange risk and interest rate risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditures as necessary.

On this basis, the Directors have determined that it is reasonable to assume that the Group will continue to operate within the facilities available to it and that it will adhere to the covenant tests to which it is subject throughout the twelve-month period from the date of signing these condensed interim financial statements. As such the Directors have adopted the Going Concern assumption in preparing these interim financial statements.

2. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at, and for the year ended 31 March 2021. Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on 1 April 2021 but they are not expected to have a material effect on the Group's financial statements.

3. Accounting estimates and judgements

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. In preparing these half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at, and for the year ended, 31 March 2021 except for the following -

Government grants

Key judgement

At 31 March 2021 management made a key judgement that there was insufficient certainty as to whether conditions attached to the $2.9 million of government loans in support of COVID-19 interruption had been met and therefore the proceeds were presented as loans and borrowings in the consolidated statement of financial position and no associated government grant income was recognised during that period. On 5 May 2021 the Group received confirmation of forgiveness of the loan by the US Small Business Administration, resulting in its conversion from a loan to a grant.

Confirmation of forgiveness provides certainty that all conditions attached to the loan have been met. As such, the full £2.1 million ($2.9 million) was recognised as income in May 2021.

Recognition of deferred tax assets

Key judgement

Management have exercised judgement over the level of future taxable profits in the UK against which to relieve the Group's deferred tax assets. On this basis management believe it is appropriate to recognise deferred tax assets and at 30 September 2021 UK deferred tax assets of £0.9 million have been recognised (31 March 2021: £nil).

Impairment of assets

Key judgement

Management have exercised judgement to determine that there are no indicators of impairment for intangible assets at 30 September 2021.

4. Segment reporting

The Group is organised into three, separately managed, business segments - Technical Plastics, Aerospace and Central. These are the segments for which summarised management information is presented to the Group's chief operating decision maker (being the Group Executive Committee).

The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, diagnostics, optical and electronic 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 Central segment relates to central costs and non-trading companies.

The LED Technologies segment presented as a discontinued operation was a leader in the development of high-power LED lighting for the premium automotive industry and was disposed of in the year to 31 March 2020 - see note 5.

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

4. Segment Reporting continued

	Technical Plastics (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	Discontinued operations £000	Group total £000
The segment results for the six months ended 30 September 2021 were as follows:						
Consolidated income statement						
Total external revenue	**56,583**	**2,089**	**-**	**58,672**	**-**	**58,672**
Expenses	**(51,799)**	**(1,862)**	**(1,329)**	**(54,990)**	**-**	**(54,990)**
Underlying operating profit / (loss)	**4,784**	**227**	**(1,329)**	**3,682**	**-**	**3,682**
COVID related US government grant income	**2,087**	**-**	**-**	**2,087**	**-**	**2,087**
Operating profit / (loss) before exceptional items	**6,871**	**227**	**(1,329)**	**5,769**	**-**	**5,769**
Exceptional operating items	**-**	**-**	**-**	**-**	**-**	**-**
Operating profit / (loss)	**6,871**	**227**	**(1,329)**	**5,769**	**-**	**5,769**
Net finance expense				**(1,403)**	**-**	**(1,403)**
Income tax credit				**428**	**-**	**428**
Profit from operating activities after tax				**4,794**	**-**	**4,794**
Profit on disposal of discontinued operations, net of tax - see note 5				**-**	**693**	**693**
Profit for the period				**4,794**	**693**	**5,487**

4. Segment Reporting continued

	Technical Plastics (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	Discontinued operations £000	Group total £000
Consolidated statement of financial position						
Segment assets	117,433	6,107	510	124,050	-	124,050
Segment liabilities	(38,973)	(751)	(67,235)	(106,959)	-	(106,959)
Net assets	78,460	5,356	(66,725)	17,091	-	17,091
Other segmental information						
Depreciation	2950	114	19	3,083	-	3,083
Amortisation	38	-	60	98	-	98
Disaggregation of revenue						
Major products/service lines						
Manufacturing	47,499	2,089	-	49,588	-	49,588
Tooling	9,084	-	-	9,084	-	9,084
	56,583	2,089	-	58,672	-	58,672
Timing of revenue recognition						
Products transferred at a point in time	47,499	2,089	-	49,588	-	49,588
Products and services transferred over time	9,084	-	-	9,084	-	9,084
	56,583	2,089	-	58,672	-	58,672

4. Segment Reporting continued

	Technical Plastics £000	Aerospace £000	Central £000	Group total £000
The segment results for the six months ended 30 September 2020 were as follows:				
Consolidated income statement				
Total external revenue	47,214	2,736	-	49,950
Expenses	(43,988)	(2,252)	(2,181)	(48,421)
Underlying operating profit / (loss)	3,226	484	(2,181)	1,529
Exceptional operating items	(74)	(13)	(1,216)	(1,302)
Operating profit / (loss)	3,152	471	(3,397)	227
Net finance expense				(1,092)
Income tax expense				(456)
Loss after tax				(1,321)
Consolidated statement of financial position				
Segment assets	104,160	6,492	13,323	123,975
Segment liabilities	(30,191)	(1,049)	(105,986)	(137,226)
Net assets	73,969	5,443	(92,663)	(13,251)
Other segmental information				
Depreciation	2,755	133	15	2,903
Amortisation	103	-	41	144
Disaggregation of revenue				
Major products/service lines				
Manufacturing	41,086	2,736	-	43,822
Tooling	6,128	-	-	6,128
	47,214	2,736	-	49,950
Timing of revenue recognition				
Products transferred at a point in time	41,086	2,736	-	43,822
Products and services transferred over time	6,128	-	-	6,128
	47,214	2,736	-	49,950

4. Segment Reporting continued

	Technical Plastics (continuing)	Aerospace (continuing)	Central (continuing)	Total (continuing operations)	Discontinued operations	Group total
	£000	£000	£000	£000	£000	£000
The segment results for the year ended 31 March 2021 were as follows:						
Consolidated income statement						
Total external revenue	102,473	5,091	-	107,564	-	107,564
Expenses	(93,256)	(4,541)	(4,927)	(102,724)	-	(102,724)
Underlying operating profit / (loss)	9,217	550	(4,927)	4,840	-	4,840
Exceptional operating Items	-	-	4,490	4,490	(52)	4,438
Operating profit / (loss)	9,217	550	(437)	9,330	(52)	9,278
Net finance expense				(2,659)	-	(2,659)
Income tax expense				(457)	-	(457)
Profit from operating activities after tax				6,214	(52)	6,162
Profit on disposal of discontinued operations, net of tax - see note 5				-	1,250	1,250
Profit for the period				6,214	1,198	7,412
Consolidated statement of financial position						
Segment assets	109,217	6,073	730	116,020	-	116,020
Segment liabilities	(33,951)	(832)	(73,326)	(108,109)	-	(108,109)
Net assets	75,266	5,241	(72,596)	7,911	-	7,911
Other segmental information						
Depreciation	5,492	250	32	5,774	-	5,774
Amortisation	110	-	96	206	-	206
Disaggregation of revenue						
Major products/service lines						
Manufacturing	88,210	5,091	-	93,301	-	93,301
Tooling	14,263	-	-	14,263	-	14,263
	102,473	5,091	-	107,564	-	107,564
Timing of revenue recognition						
Products transferred at a point in time	88,210	5,091	-	93,301	-	93,301
Products and services transferred over time	14,263	-	-	14,263	-	14,263
	102,473	5,091	-	107,564	-	107,564

5. Discontinued operations

Whilst there were no new discontinued operations in the 6 months to 30 September 2021 or in the prior year comparative, on 5 May 2021 and 6 August 2021, proceeds of £0.2 million and £0.3 million respectively were received from the administrators of Wipac Ltd which was part of the LED Technologies segment that was classified as discontinued in the year to 31 March 2020 (year to 31 March 2021: £1.3 million). The proceeds were received by the Group's lending bank, HSBC and used to prepay the Group's term loan.

On 28 July 2021, an additional £0.2 million was received from the Wipac Ltd administrators in payment of a first and final dividend for the Group's unsecured creditor claim against the company. In accordance with the facility agreement, the first £0.1 million was retained by the Group with the balance of £0.1 million used to prepay the Group's term loan.

No asset was recognised in the results for the year to 31 March 2021 for potential post balance sheet proceeds or dividends, and as such, the full £0.7 million has been recognised as exceptional profit on disposal of discontinued operations in the current period.

Management does not expect to receive any further proceeds from the administrators of Wipac Ltd.

6. Exceptional items

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Continuing operations			
Rationalisation costs	**-**	(1,302)	(1,968)
Gain in respect of retirement benefits	**-**	-	6,458
Total recognised in operating profit	**-**	(1,302)	4,490
Deferred tax credit – see note 9	**893**	-	-
	893	(1,302)	4,940
Discontinued operations			
Rationalisation costs	**-**	-	(52)
Profit on disposal of discontinued operations - see note 5	**693**	-	1,250
	693	-	1,198
Exceptional items	**693**	(1,302)	5,688

There have been no exceptional items recognised in operating profit in the period to 30 September 2021.

The turnover and cost impacts of the COVID-19 pandemic are so pervasive and difficult to identify that they cannot be readily separated and quantified from the ongoing trading of the Group. As a result, consistent with the results reported in the financial statements for the year ended 31 March 2021, neither COVID-19 related costs nor credits arising from government assistance have been presented as exceptional items in the condensed consolidated income statement for the six months to 30 September 2021.

A £0.9 million deferred tax credit upon the re-recognition of UK deferred tax assets has been treated as exceptional.

The profit on disposal of discontinued operations of £0.7 million comprises proceeds received from the administrators of Wipac Ltd which was part of the LED Technologies segment which was classified as discontinued in the year ended 31 March 2021. The £1.3 million received in the year ended 31 March 2021 was all in respect to proceeds.

The 31 March 2021 gain in respect to retirement benefits is a past service credit for the impact of introducing a Bridging Pension Option, partly offset by a past service cost relating to GMP equalisation.

7. Government support for COVID-19

During the period the Group has utilised governmental support in its operating locations to mitigate the impact of COVID-19. Support has been in the form of grants, loans and deferral of tax payments.

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
The governmental support utilised during the period was:			
Grants - used to offset labour and variable costs, included within operating profit	**2,153**	615	747
Loans - presented in loans and borrowings	**-**	2,589	2,104
Payment deferrals - presented in trade and other payables	**-**	705	68

In April 2020, the Group received a loan under the Payback Protection Program, underwritten by the US government in support of COVID-19 for $2.9 million, presented as loans and borrowings in the prior period and year end comparatives. On 5 May 2021, notice of forgiveness of the loan was received from the Small Business Administration, resulting in its conversion from a loan to a grant and therefore its release to the condensed consolidated income statement. In the 6 months to 30 September 2021 the full amount has been recognised within operating profit in the income statement as a credit to off-set labour and variable COVID-19 related costs incurred to date.

The credit recognised in respect to the COVID-19 related government grant has been presented separately on the face of the condensed consolidated income statement for the 6 months to 30 September 2021 for clarity.

8. Net finance expense

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
The expense recognised in the condensed consolidated income statement comprises:			
Interest receivable on cash and cash deposits	**34**	57	42
Interest payable on bank loans and overdrafts	**(816)**	(635)	(1,559)
Lease interest	**(165)**	(89)	(210)
Other interest	**(92)**	(1)	(90)
Net interest on the net defined benefit liability	**(364)**	(424)	(842)
Net finance expense	**(1,403)**	(1,092)	(2,659)

9. Income tax expense

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
The credit / (expense) recognised in the condensed consolidated income statement comprises:			
Continuing operations			
Current tax expense on ordinary activities	**(465)**	(563)	(293)
Deferred tax credit / (expense) on ordinary activities	**-**	107	(164)
Exceptional deferred tax credit - recognition of deferred tax assets	**893**	-	-
Total income tax credit / (expense) recognised in the condensed consolidated income statement	**428**	(456)	(457)

The half year tax credit represents -8.5% of statutory profit before tax (2021: -52.7%) based on the estimated average effective tax rate on ordinary activities for the full year.

This rate includes a deferred tax credit of £0.9 million which has been recognised in the six months ended 30 September 2021 upon the recognition of £0.9 million deferred tax assets in respect of UK losses and capital allowances.

The half year underlying effective tax rate, after excluding the deferred tax credit of £0.9 million, amounts to 20.4% of underlying profit before tax, exceptional items and COVID related US government grant income (2021: 104.3%).

The Group's underlying effective tax rate is higher than the underlying UK tax rate of 19.0% (H1 2021: 19.0%) mainly because the Group is earning a higher proportion of its profits in higher tax jurisdictions.

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

10. Earnings per share

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

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

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Profit / (loss) after tax but before profit on discontinued operations	**4,794**	(1,321)	6,214
Profit / (loss) attributable to non-controlling interests	**-**	-	-
Profit / (loss) attributable to ordinary shareholders from continuing operations	**4,794**	(1,321)	6,214
Profit on discontinued operations, net of tax	**693**	-	1,198
Profit / (loss) after tax, attributable to equity holders of the parent	**5,487**	(1,321)	7,412

	Six months ended 30 September 2021 Shares	Six months ended 30 September 2020 Shares	Year ended 31 March 2021 Shares
Weighted average number of ordinary shares in the period	**73,419,193**	73,419,193	73,419,193
Effect of share options in issue	**15,974**	15,974	15,974
Weighted average number of ordinary shares (diluted) in the period	**73,435,167**	73,435,167	73,435,167

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 separately disclosed one-off items and the impact of property and business disposals, net of attributable taxes.

10. Earnings per share continued

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 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Profit / (loss) after tax, attributable to equity holders of the parent	**5,487**	(1,321)	7,412
Continuing operations:			
Exceptional - rationalisation and restructuring costs, net of tax	**-**	1,302	1,968
Exceptional - gain in respect of retirement benefits, net of tax	**-**	-	(6,458)
COVID related US government grant income, net of tax	**(2,087)**	-	-
Exceptional - recognition of UK deferred tax assets	**(893)**	-	-
Discontinued operations:			
Exceptional - rationalisation and restructuring costs, net of tax	**-**	-	52
Exceptional - gain on disposal of discontinued operations, net of tax	**(693)**	-	(1,250)
Underlying profit / (loss) attributable to equity holders of the parent	**1,814**	(19)	1,724
Underlying profit / (loss) attributable to equity holders of the parent	**1,814**	(19)	1,724
COVID related US government grant income, net of tax	**2,087**	-	-
Profit / (loss) after tax but before exceptional items, attributable to equity holders of the parent	**3,901**	(19)	1,724
Underlying operating profit - continuing operations	**3,682**	1,529	4,840
Finance revenue - continuing operations	**34**	57	42
Finance expense - continuing operations	**(1,437)**	(1,149)	(2,701)
Income tax credit / (expense) - continuing operations	**428**	(456)	(457)
Exceptional recognition of UK deferred tax assets - continuing operations	**(893)**	-	-
Underlying profit / (loss) attributable to equity holders of the parent - continuing operations	**1,814**	(19)	1,724
Underlying profit / (loss) attributable to equity holders of the parent - continuing operations	**1,814**	(19)	1,724
COVID related US government grant income, net of tax	**2,087**	-	-
Profit / (loss) after tax but before exceptional items - continuing operations	**3,901**	(19)	1,724

10. Earnings per share continued

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

	Six months ended 30 September 2021	Six months ended 30 September 2020	Year ended 31 March 2021
	Pence	Pence	Pence
Basic earnings / (loss) per share - continuing operations	**6.5**	(1.8)	8.5
Basic earnings / (loss) per share - discontinued operations	**0.9**	-	1.6
Basic earnings / (loss) per share	**7.5**	(1.8)	10.1
Diluted earnings / (loss) per share - continuing operations	**6.5**	(1.8)	8.5
Diluted earnings / (loss) per share - discontinued operations	**0.9**	-	1.6
Diluted earnings / (loss) per share	**7.5**	(1.8)	10.1
Underlying earnings / (loss) per share - basic - continuing operations	**2.5**	(0.0)	2.4
Underlying earnings / (loss) per share - basic - discontinued operations	**-**	-	-
Underlying earnings / (loss) per share - basic	**2.5**	(0.0)	2.4
Underlying earnings / (loss) per share - diluted - continuing operations	**2.5**	(0.0)	2.4
Underlying earnings / (loss) per share - diluted - discontinued operations	**-**	-	-
Underlying earnings / (loss) per share - diluted	**2.5**	(0.0)	2.4
Earnings / (loss) per share before exceptional items - basic - continuing operations	**5.3**	(0.0)	2.4
Earnings / (loss) per share before exceptional items - basic - discontinued operations	**-**	-	-
Earnings / (loss) per share before exceptional items - basic	**5.3**	(0.0)	2.4
Earnings / (loss) per share before exceptional items - diluted - continuing operations	**5.3**	(0.0)	2.4
Earnings / (loss) per share before exceptional items - diluted - discontinued operations	**-**	-	-
Earnings / (loss) per share before exceptional items - diluted	**5.3**	(0.0)	2.4

11. Dividends paid and proposed

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

Under the terms of the restructuring agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending July 2023.

12. Intangible assets

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

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Net book value at the start of the period	**21,848**	22,880	22,880
Additions	**15**	80	139
Disposals	**-**	-	(5)
Amortisation	**(98)**	(144)	(206)
Effect of movements in foreign exchange	**449**	47	(960)
Net book value at the end of the period	**22,214**	22,863	21,848

Included within intangible assets is goodwill of £21.5 million (30 September 2020 - £22.0 million). The carrying value of goodwill is subject to annual impairment tests by reviewing detailed projections of the recoverable amounts from the underlying cash generating units. At 31 March 2021, the carrying value of goodwill was supported by value-in-use calculations. There has been no indication of subsequent impairment in the current financial period.

Intangible assets also include customer-related intangibles of £0.3 million (30 September 2020: £0.3 million) and computer software of £0.4 million (30 September 2020: £0.5 million).

13. Property, plant and equipment

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

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Net book value at the start of the period	**43,218**	40,395	40,395
Additions	**2,952**	2,701	10,374
Depreciation	**(3,083)**	(2,903)	(5,774)
Disposals	**-**	-	(193)
Impairment	**-**	-	13
Effect of movements in foreign exchange	**545**	(66)	(1,597)
Net book value at the end of the period	**43,632**	40,127	43,218

Right-of-use assets

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

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Net book value at the start of the period	**6,988**	5,119	5,119
Depreciation	**(823)**	(741)	(1,582)
Additions	**196**	385	3,769
Derecognition of right-of-use assets	**-**	-	(148)
Effect of movements in foreign exchange	**90**	(9)	(170)
Net book value at the end of the period	**6,451**	4,754	6,988

14. Retirement benefit obligations

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

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

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Present value of funded obligations	**(203,198)**	(237,839)	(204,654)
Fair value of scheme assets	**169,791**	179,718	167,379
Recognised liability for defined benefit obligations	**(33,407)**	(58,121)	(37,275)

Movement in the net liability for defined benefit obligations recognised in the condensed consolidated statement of financial position:	**Six months ended 30 September 2021 £000**	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Net liability for defined benefit obligations at the start of the period	**(37,275)**	(37,620)	(37,620)
Contributions paid	**2,050**	1,067	2,834
Net credit / (expense) recognised in the condensed consolidated income statement	**(939)**	(424)	4,052
Remeasurement (losses) / gains recognised in other comprehensive income	**2,757**	(21,144)	(6,541)
Net liability for defined benefit obligations at the end of the period	**(33,407)**	(58,121)	(37,275)

Movements in the fair value of Scheme assets:	**Six months ended 30 September 2021 £000**	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Fair value of Scheme assets at the start of the period	**167,379**	172,766	172,766
Interest income	**1,646**	1,957	3,888
Return / (loss) on Scheme assets excluding interest income	**4,667**	8,285	(988)
Contributions by employer	**2,050**	1,879	2,834
Benefit payments	**(5,376)**	(4,357)	(9,557)
Expenses paid	**(575)**	(812)	(1,564)
Fair value of Scheme assets at the end of the year	**169,791**	179,718	167,379
Actual return on Scheme assets	**6,313**	10,242	2,900

14. Retirement benefit obligations continued

Movements in the present value of defined benefit obligations:	**Six months ended 30 September 2021 £000**	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Defined benefit obligation at the start of the period	**204,654**	210,386	210,386
Interest expense	**2,010**	2,381	4,730
Actuarial gains due to changes in demographic assumptions	**-**	-	(6,727)
Actuarial losses due to changes in financial assumptions	**1,910**	29,429	12,280
Benefit payments	**(5,376)**	(4,357)	(9,557)
Past service credit	**-**	-	(6,458)
Defined benefit obligation at the end of the period	**203,198**	237,839	204,654

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were:	**30 September 2021**	30 September 2020	31 March 2021
Discount rate at period end	**2.00%**	1.50%	2.00%
Inflation (RPI) (non-pensioner)	**3.45%**	3.10%	3.25%
Inflation (CPI) (non-pensioner)	**2.95%**	2.60%	2.75%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.45%**	3.10%	3.25%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.95%**	2.60%	2.75%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.35%**	3.00%	3.15%
Allowance for pension in payment increases of CPI or 5% p.a. if less	**2.40%**	3.00%	2.30%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.75%**	3.10%	3.65%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.25%**	4.00%	4.20%
Life expectancy	**years**	years	years
Male (current age 45)	**19.9**	20.6	19.9
Male (current age 65)	**19.0**	19.6	19.0
Female (current age 45)	**22.2**	22,6	22.2
Female (current age 65)	**21.0**	21.3	21.0

15. Cash generated from operations

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Profit / (loss) for the period - continuing operations	**4,794**	(1,321)	6,214
Profit for the period - discontinued operations	**693**	-	1,198
	5,487	(1,321)	7,412
Adjustments for -			
Pension scheme contributions net of administration costs settled by the Company	**(1,787)**	(993)	(2,179)
Pension scheme administration costs settled by the Scheme	**285**	455	910
Depreciation charge	**3,083**	2,903	5,774
Amortisation of intangible assets	**98**	144	206
Exceptional gain in respect of retirement benefits	**-**	-	(6,458)
COVID related US government grant income	**(2,104)**	-	-
(Profit) on business disposal	**(693)**	-	(1,250)
(Profit) / loss on disposal of other plant and equipment	**(25)**	-	10
Loss on disposal of intangible assets	**-**	-	5
Cash flow relating to provision for site closure costs	**-**	(5)	(23)
Share based payment charge	**24**	93	1
Financial income	**(34)**	(57)	(42)
Financial expense	**1,437**	1,149	2,701
Taxation (credit) / expense	**(428)**	456	457
Operating cash flow before changes in working capital	**5,343**	2,824	7,524
Changes in working capital			
(Increase) / decrease in inventories	**(3,534)**	233	768
Increase in contract assets	**(3,233)**	(2,095)	(1,492)
(Increase) / decrease in trade and other receivables	**(3,920)**	107	(308)
Increase / (decrease) in trade and other payables	**5,037**	(3,195)	864
Increase in contract liabilities	**2,327**	2,696	3,846
Cash generated from operations	**2,020**	570	11,202

16. Cash and cash deposits

	As at 30 September 2021 £000	As at 30 September 2020 £000	As at 31 March 2021 £000
Cash and cash deposits	**10,394**	23,379	15,485
Bank overdrafts	**-**	(10,672)	-
	10,394	12,707	15,485

The Group has a net UK multi-currency overdraft facility with a £nil net limit and a £12.5 million gross limit agreed as part of the refinancing arrangement signed 14 August 2020. At 30 September 2021, Carclo plc's overdraft of £3.9 million (31 March 2021: £4.6 million) has been recognised within cash and cash deposits when consolidated.

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 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Net (decrease) / increase in cash and cash equivalents	**(5,339)**	4,508	7,441
Net repayment of / (drawings on) term loans and other loans	**2,247**	(4,074)	(4,492)
Net forgiveness / (receipt) of government support loans	**2,104**	(2,589)	(2,243)
Net repayment of / (drawing on) lease liabilities	**670**	905	(2,020)
	(318)	(1,250)	(1,314)
Effect of exchange rate fluctuations on net debt	**(457)**	(751)	1,075
	(775)	(2,001)	(239)
Net debt at start of period	**(27,596)**	(27,357)	(27,357)
Net debt at end of period	**(28,371)**	(29,358)	(27,596)

Net debt comprises -

	As at 30 September 2021 £000	As at 30 September 2020 £000	As at 31 March 2021 £000
Cash and cash deposits	**10,394**	23,379	15,485
Bank overdrafts	**-**	(10,672)	-
Term loan	**(29,893)**	-	(31,812)
Government COVID-19 support loans	**-**	(2,589)	(2,104)
Revolving credit facility	**(2,000)**	(34,504)	(2,000)
Lease liabilities	**(6,758)**	(4,943)	(7,055)
Other loans	**(114)**	(29)	(110)
Net debt	**(28,371)**	(29,358)	(27,596)

On 14 August 2020 the Group concluded a restructuring with the Company's bank, HSBC. The debt facilities currently available to the Group comprise a term loan of £30.1 million (31 March 2021: £32.1 million), of which a further £1.4 million (31 March 2021: £3.0 million) will be amortised by 30 September 2022 and a £3.5m revolving credit facility maturing on 31 July 2023.

18. Financial instruments

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

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

19. Ordinary share capital

	Number of shares	£000
Ordinary shares of 5 pence each		
Issued and fully paid at 30 September 2020, 31 March 2021 and 30 September 2021	**73,419,193**	**3,671**

20. Related parties

Identity of related parties

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

There have been no changes in related parties in the period to 30th September 2021.

Transactions with key management personnel

Key management personnel are considered to be the executive directors of the Group. Full details of directors' remuneration are disclosed in the Group's annual report. In the six months ended 30 September 2021, remuneration to current and former directors amounted to £0.219 million (six months ended 30 September 2020 - £0.350 million).

On 5 August 2021 P White, the Group's Chief Financial Officer was granted 386,778 share options under the terms of the Carclo plc 2017 Performance Share Plan. The options will vest at the end of a three-year period depending on the achievement of performance targets set out in the LTIP and are then subject to a further two-year holding period. The awards take the form of nil cost options, being an option under the LTIP with a nil exercise price. Share price at date of award was 41.6 pence and fair value at date of award totalled £0.118 million.

On 30 June 2021, N Sanders the Group's Chief Executive Officer and P White purchased 95,656 and 19,136 shares respectively in Carclo plc at market price of 51.8 pence per share.

Group pension scheme

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

Contributions of £0.292 million per month have been made during the six months to 30 September 2021, incorporating both deficit recovery contributions and scheme expenses including PPF levy. A further payment of £0.3 million has also been made during the period being part of the £0.750 million agreed as payable between 30 June 2021 and September 2022 under the schedule of contributions.

Carclo incurred administration costs of £0.575 million during the period which has been charged to the consolidated income statement, £nil have been presented as exceptional, (six months to 30 September 2020: £0.8 million, of which £0.3 million was presented as exceptional). Of the administration costs, £0.285 million was paid directly by the scheme (six months to 30 September 2020: £0.455 million). The total deficit reduction contributions and administration costs paid during the period was £2.1 million (six months to 30 September 2020: £1.4 million).

21. Post balance sheet events

There are no events that have occurred since the period end that require disclosure in the report.

22. Seasonality

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

Independent review report

Introduction

We have been engaged by Carclo plc ("the Company") to review the financial information for the six months ended 30 September 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board and our Engagement Letter. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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 formed.

Respective responsibilities of directors and auditor

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the consolidated financial information in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial information in the interim report does not give a true and fair view of the financial position of the Company as at 30 September 2021 and of its financial performance and its cash flows for the six months then ended, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Signed:

Mazars LLP
Chartered Accountants
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 18 November 2021

Notes:

(a) The maintenance and integrity of the Carclo plc web site is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.