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

Interim Report and Accounts

Half-year results for the six months ended 30 September 2022

Carclo, the global provider of value-adding engineered solutions for the life sciences, precision components, and specialised optics and aerospace industries, announces its results for the first six months of its financial year ending 31 March 2023 ("H1 23").

Highlights

Market environment

- High growth in our chosen markets, led by Life Science innovations and a revival in Aerospace after the lifting of Covid related air travel bans.
- Higher energy prices, labour and material costs have continued to fuel our cost inflation. Where possible, the Group has implemented price increases to mitigate the impact of these cost increases.

H1 Results

- Revenue grew strongly to £72.2m, up 23% compared to H1 2022, driven by growth with new and existing life sciences customers, forex tailwinds and price increases.
- Margins in our manufacturing operations fell as a result of cost inflation and a delay in the launch of two new product lines.
- Underlying operating profit at £3.6m was slightly below H1 2022 as higher revenue and forex tailwinds largely offset the impact of lower margins. On a constant currency basis, the underlying operating profit was down by £0.3m.
- Net debt including IFRS16 lease liabilities increased to £36.8m (31 March 2022: £32.4m) driven by increased working capital, additional growth capital investment, and the impact of movement in exchange rates on the translation of non-sterling denominated debt.

Strategy – Carclo 2025

- Our focus is on improving the Group's cash generation through improved asset utilisation and driving operational excellence throughout our manufacturing operations.
- Through this improved asset utilisation and operational improvement, we aim to deliver a sustainable 15% ROCE through the cycle.
- We are building a "One Carclo" culture of entrepreneurialism and collaboration across the group to establish Carclo as a destination for talent and career development.

Financing

- As previously announced on 5th September, we have agreed to a revised and extended funding arrangement with the Group's lending bank and the Pension Scheme. This arrangement provides access to ongoing bank facilities and visibility of pension deficit repair contributions to June 2025.
- Largely due to rising global interest rates, the Group forecasts limited headroom on its interest cover covenant in the near term. The Board is taking a number of actions to mitigate this.

Outlook

- Demand for the Group's products remains robust, but ongoing cost inflation is expected to exert downward pressure on margins throughout the second half and into the following year. As a result, the Board is expecting a second half performance similar to that of the first half.
- Increasing global interest rates are already impacting the cost of financing the Group and we expect this trend to continue, partly mitigated by our focus on cash management.
- The Board is positive about the medium to long term prospects for the Group, driven by structural growth drivers in our end-markets, our strong customer relationships and the opportunity to drive improved financial performance through a focus on operational excellence.

Frank Doorenbosch, Chief Executive Officer, said:

"I am proud of Carclo's strong growth as the result of our position as the trusted partner of major blue-chip customers, operating in markets with robust demand. Our focus is now to capitalise on this growth, through operational excellence programmes and improved asset utilisation, to deliver an increased ROCE. The margin pressure, mainly caused by tightness in the labour market and inflation in both materials and energy costs is being offset by price increases where possible and enhanced investment in continuous improvement. Our near-term focus is on cash generation and improved asset utilisation as we seek to reduce our cost of finance in an environment of increasing global interest rates.

"Looking ahead, we are targeting a sustainable 15% ROCE through the cycle, and we believe our chosen market sectors will provide the opportunity to deliver strong organic growth over the long term."

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

£000	H1 2023	H1 2022	Change
Revenue	72,151	58,672	13,479
Underlying operating profit	3,593	3,682	(89)
Exceptional items	(332)	-	(332)
COVID-related US government grant income	-	2,087	(2,087)
Operating profit	3,261	5,769	(2,508)
Profit on discontinued operations, net of tax	-	693	(693)
Underlying earnings per share - basic	1.5p	2.5p	-1.0p
Basic earnings per share - continuing operations	0.9p	6.5p	-5.6p
Net debt excluding leases	(23,773)	(21,613)	(2,160)
Net debt	(36,830)	(28,371)	(8,459)
IAS 19 retirement benefit deficit	(24,928)	(33,407)	8,479
Underlying Operating Profit			
Technical Plastics	4,009	4,784	(775)
Aerospace	673	227	446
Central	(1,089)	(1,329)	240
Total	3,593	3,682	(89)

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.

Enquiries

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Forward-looking statements

Certain statements made in these reports & accounts are forward-looking statements. Such statements are based on current expectations and are subject to several 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 2022, with a reconciliation to statutory figures included in this Half Year Report to aid the user of these accounts. The Directors believe that alternative performance measures provide a more useful comparison of business trends and performance. The term 'underlying' is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Overview of Results

Group revenue grew by 23.0% to £72.2m (H1 22: £58.7m), driven by a combination of strong demand, the impact of price increases and foreign exchange tailwinds. At constant exchange rates, revenue increased by 14.0%.

Technical Plastics ("CTP") revenues rose 22.2% to £69.1m (H1 22: £56.6m), with growth of 12.9% at constant currency driven by strong demand in its key markets.

The CTP business principally operates in three key market sectors: Life Sciences, Precision Components and Optics. The Life Science segment exhibited strong demand during the first half as we saw a growing adoption of life science analytics in the healthcare market, particularly in North America which continues to dominate the life science analytics market due to its advanced and developing healthcare infrastructure. Revenue growth came from both new and existing customers.

The Precision Components market continued to be held back by the supply of microprocessors for our customers' products which constrained demand.

Demand in our traditional optics market of eyecare and aftermarket car-lighting remains stable, and the business is now seeking to capture growth by expanding its in-house range of highly efficient LED lighting solutions.

CTP Design and Engineering (previously described as tooling) activity in the first half remained at a relatively high level, with revenue up 11.7% compared to the prior year of £10.2m (H1 22: £9.1m). The high level of Design and Engineering activity experienced over the last 18 months is now being converted into increased manufacturing activity and this is anticipated to continue with the launch of the two new major product lines expected in the second half. CTP manufacturing solutions first half revenue increased by 24.2% to £59.0m (H1 22: £47.5m).

The aerospace market continued to recover as aircraft manufacturers responded to increasing passenger numbers from the low levels during the height of the covid pandemic. As a result, Aerospace first half revenues grew by 44.5% to £3.0m (H1 22: £2.1m).

Revenue (£000)	**H1 2023**	**H1 2022**	**Change**
CTP Design & Engineering	10,151	9,084	1,067
CTP Manufacturing Solutions	58,982	47,499	11,483
Aerospace	3,018	2,089	929
Total	72,151	58,672	13,479

Group underlying operating profit fell slightly to £3.6m (H1 22: £3.7m) as increased revenues and the benefit of exchange rate tailwinds were offset by a drop in margins. At constant exchange rates underlying operating profit fell by 8.9%.

CTP's underlying operating profit margin reduced from 8.5% to 5.8% largely driven by significant inflation across its major cost categories including energy, materials, labour and transport. Prices have been increased where possible to mitigate the effect of these cost increases, but there is often a lag before the benefit of improved pricing feeds through to margins. CTP also incurred significant costs in the first half in developing the production lines for two new products, the launch of which has been delayed and is now expected in the second half. These reduced margins only partly offset increased revenues and the benefit of foreign exchange movement, resulting in CTP underlying operating profit being lower than the prior year at £4.0m (H1 22: £4.8m).

Aerospace operating margins strengthened further to 22.3% (H1 22: 10.9%) as the business continued to focus on its niche products. As a result the increased activity levels translated into strong growth in underlying operating profit, up 196.5% at £0.7m (H1 22: £0.2m).

Central costs decreased slightly by £0.2m to £1.1m mainly due to foreign exchange gains.

Finance costs increased by 14.8% to £1.6m (H1 22: £1.4m) as a result of increasing interest rates and higher net debt. Finance costs include net interest on the defined benefit pension liability of £0.3m (H1 22: £0.4m).

The Group incurred net exceptional operating costs of £0.3m in the period (H1 22: £nil), comprising £1.1m rationalisation costs relating mainly to the refinancing of the Group partly offset by a £0.8m gain on the sale and leaseback of the property in Tucson, Arizona, USA.

Group profit before tax was £1.7m (H1 22: £4.4m including £2.1m COVID-related US government grant income).

The income tax expense was £1.0m (H1 22: credit £0.4m benefitting from a £0.9m one-off re-recognition of UK deferred tax assets), and the underlying tax expense was £0.9m (H1 22: expense £0.5m). The effective tax rate was 59.5% (H1 22: credit 8.5%). The underlying effective tax rate was 43.8% (H1 22: expense 20.4%) due to a change in mix of the profits towards higher tax jurisdictions.

Underlying earnings per share was 1.5 pence (H1 22: 2.5 pence). The statutory earnings per share for the period was 0.9 pence (H1 22: 7.5 pence).

Carclo 2025 Strategy

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

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

Board changes

On 6 October 2022 the Board announced, with immediate effect, the appointment of Frank Doorenbosch as Chief Executive Officer of Carclo. Frank had previously been appointed as a consultant to the Group for a period of up to twelve months from 6 June 2022 and accordingly since that date has been an Executive Director of Carclo. On the same day Nick Sanders stood down as Executive Chair and became Non-Executive Chair until 5 November 2022 when he stepped down from the Board.

Joe Oatley was appointed as Non-Executive Chair with effect from 6 November 2022 and Eric Hutchinson, a Non-Executive Director and Chair of the Audit Committee, was appointed as Senior Independent Director and Chair of the Remuneration Committee with effect from 6 November 2022.

Phil White has given notice of his retirement and has stepped down from his role as Chief Financial Officer and as a Director of the Company with effect from 14 November 2022. Phil will remain with the Company until his retirement in June 2023 in order to ensure a smooth transition to the new CFO.

The Board has announced the promotion of David Bedford to Chief Financial Officer and appointment as a Director of the Company with effect from 14 November 2022. David joined Carclo in September 2022 as the Chief Financial Officer of the CTP Division.

Financial Position

Net debt excluding lease liabilities increased by £2.2m during the first half to £23.8m, and net debt increased by £4.4m to £36.8m which includes cash of £10.7m (31 March 2022: £12.3m).

Cash

The following table analyses the net cash outflow before and after the cash flows associated with debt and pension servicing.

Cash Flow Summary	H1 2023 £000	H1 2022 £000
Underlying EBITDA	7,512	6,863
Exceptional operating cash flows	(771)	-
Working capital movements	(4,718)	(3,323)
Capex (owned assets)	(1,035)	(3,529)
Sale proceeds	2,351	718
Tax	(652)	(486)
Other non-operating cashflow	78	(18)
Cash flows before debt and pension servicing	2,765	225
Pension deficit repair contributions	(1,589)	(1,502)
Lease debt servicing	(2,141)	(1,031)
Non-lease debt servicing	(1,782)	(3,031)
Cash flows for debt and pension servicing	(5,512)	(5,564)
Net decrease in cash and cash equivalents	(2,747)	(5,339)

Net cash outflow from operating activities during the first half was £1.3m (H1 22: net cash inflow £0.6m), comprising underlying EBITDA of £7.5m (H1 22: £6.9m), net working capital outflows of £4.7m (H1 22: outflow £3.3m), net pension contributions of £1.6m (H1 22: £1.5m), interest costs of £1.2m (H1 22: £1.0m), taxes of £0.7m (H1 22: £0.5m), exceptional rationalisation costs of £0.8m (H1 22: £nil) and £0.2m of other inflows (H1 22: £nil).

Net cash inflow from investing activities during the first half was £0.2m (H1 22: net cash outflow £2.8m) comprising mainly £1.1m proceeds from the disposal of part of the Tucson manufacturing site in a sale and leaseback transaction (H1 22: LED Technologies disposal proceeds £0.7m), less £1.0m of capital expenditure (H1 22: £3.5m).

Net cash outflow from financing activities during the first half was £1.5m (H1 22: £3.1m), comprising £1.8m repayment of lease liabilities (H1 22: £0.9m), net repayment of other borrowings £0.9m (H1 22: £2.2m) and £1.2m proceeds related to the financing element of the sale and leaseback of Tucson (H1 22: £nil).

A £1.1m foreign exchange gain on cash (H1 22: £0.2m), coupled with the £2.7m net cash outflow (H1 22: net cash outflow £5.3m) resulted in an overall £1.6m reduction in cash during the first half.

Debt

Debt increased by £2.8m during the first half of the financial year to £47.6m. It was reduced by £1.1m repayments of term loans, £1.8m repayments of lease liabilities and £0.4m net capitalisation of debt transaction costs. It was increased by £1.2m of new lease liabilities arising from the sale and leaseback of the Tucson manufacturing site, by £1.9m from other new leases and by £2.8m from adverse foreign exchange movements.

On 2 September 2022 the Group successfully refinanced with the Company's bank. The debt facilities available to the Group at 30 September 2022 comprise a fully drawn £3.5m revolving credit facility and term loans of £31.2m, denominated in sterling 14.9 million, in US Dollar 13.3 million and in Euro 4.9 million. Of the sterling loan £0.7m will be amortised by 31 March 2023, a further £1.4 million by 31 March 2024, a further £2.2 million by 31 Mar 2025 and the balance becomes payable by 30 June 2025.

Pensions

On 2 September 2022, the Group agreed to the 31 March 2021 triennial pension scheme valuation with an actuarial deficit of £82.8m and a revised schedule of contributions under which the deficit repair contributions payable are £3.9m in FY22, £3.8m in FY23 and £3.5m annually thereafter, plus additional contributions of 25% of any surplus of FY24 underlying EBITDA over £18m payable from 30 June 2024 to 31 May 2025, extending to 26% of any FY25 surplus payable from 30 June 2025 to 31 May 2026.

At 30 September 2022 the Group's IAS 19 pension deficit reduced to £24.9m (31 March 2022: £26.0m) driven by Company contributions in excess of the interest cost. Remeasurement gains during the first half of the financial year were £49.6m, due mainly to a significant change in the discount rate from 2.70% to 5.30%. These were offset by £49.8m adverse asset return experience over the period due to the Scheme's liability-driven investments being designed to hedge the larger actuarial liabilities and therefore being over-hedged relative to the IAS 19 liabilities and due to falls in the Scheme's growth assets, offset partially by an increase in corporate bond spreads. The estimated actuarial deficit at 30 September 2022 was £73.1m.

Dividend

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

Outlook

Demand for the Group's products remains robust but ongoing cost inflation is expected to persist throughout the second half and into the following year. As a result, the Board is expecting a second half performance similar to that of the first half.

Increasing global interest rates are already impacting the cost of financing the Group and we expect this trend to continue, mitigated by our focus on cash management.

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

Principal Risks and Uncertainties

In the Annual Report for the year ended 31 March 2022 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 2022 Annual Report, it is worth noting that:

- Supply chain and political disruption continues with inflation creating pressures on input costs, particularly energy and materials;
- Global interest rates have increased which has increased the Group's cost of financing putting pressure on interest cover covenants; and
- Increased exchange rate volatility, particularly relative to sterling, can impact the Group's reported profits earned in other currencies and the reported value of debt.

Going Concern

These interim financial statements have been prepared on a going concern basis as detailed in Note 1. Whilst the Board's base case forecasts show that the Group is able to operate within its available facilities and to meet its covenants as they fall due, the interest cover covenant headroom is limited, principally due to increases in interest rates, and manifestation of the above risks, individually or in combination, could lead to a breach of the Group's banking covenants.

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

The Group is engaging with the bank with a view to a temporary easement of the interest cover covenant. Whilst the Board is hopeful that such an easement will be granted, there is no guarantee and as such there is a material uncertainty over going concern due to the lack of forecast headroom on the interest cover covenant.

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,

Frank Doorenbosch	**David Bedford**
Chief Executive Officer	Chief Financial Officer

29 November 2022

Reconciliation of non-GAAP financial measures - H1 23

£000	Underlying	Exceptional items	Statutory
Technical Plastics operating profit	4,009	457	4,466
Aerospace operating profit	673	-	673
Central operating costs	(1,089)	(789)	(1,878)
Operating profit	3,593	(332)	3,261
Net finance expense	(1,610)	-	(1,610)
Profit before tax	1,983	(332)	1,651
Income tax expense	(869)	(114)	(983)
Profit for the period	1,114	(446)	668
Basic earnings per share (pence)	1.5p	(0.6p)	0.9p

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
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	Operating profit adjusted to exclude all exceptional items
RETURN ON CAPITAL EMPLOYED (EXCLUDING PENSION LIABILITIES) ("ROCE")	Return on capital employed measures the underlying operating profit for the Group, including discontinued operations, as a percentage of average capital employed, calculated as the average of the opening equity plus net debt and pension liabilities, and closing equity plus net debt and pension liabilities.

Condensed consolidated income statement

	Notes	**Six months ended 30 September 2022 unaudited £000**		Six months ended 30 September 2021 unaudited £000		Year ended 31 March 2022 audited £000
Continuing operations:						
Revenue	4	**72,151**		58,672		128,576
Underlying operating profit		**3,593**		3,682		6,096
COVID related US government grant income	7	**-**		2,087		2,087
Exceptional items	6	**(332)**		-		721
Operating profit	4	**3,261**		5,769		8,904
Finance revenue	8	**60**		34		77
Finance expense	8	**(1,670)**		(1,437)		(3,066)
Profit before tax		**1,651**		4,366		5,915
Income tax (expense) / credit	9	**(983)**		428		(809)
Profit after tax but before profit on discontinued operations		**668**		4,794		5,106
Discontinued operations:						
Profit on discontinued operations, net of tax	6	**-**		693		693
Profit for the period		**668**		5,487		5,799
Attributable to:						
Equity holders of the parent company		**668**		5,487		5,799
Non-controlling interests		**-**		-		-
		668		5,487		5,799
Earnings per ordinary share	10					
Basic - continuing operations		**0.9**	**p**	6.5	p	7.0 p
Basic - discontinued operations		**-**	**p**	0.9	p	0.9 p
Basic		**0.9**	**p**	7.5	p	7.9 p
Diluted - continuing operations		**0.9**	**p**	6.5	p	6.9 p
Diluted - discontinued operations		**-**	**p**	0.9	p	0.9 p
Diluted		**0.9**	**p**	7.5	p	7.8p

Condensed consolidated statement of comprehensive income

	Six months ended 30 September 2022 unaudited £000	Six months ended 30 September 2021 unaudited £000	Year ended 31 March 2022 audited £000
Profit for the period	**668**	5,487	5,799
Other comprehensive (expense) / income:			
Items that will not be reclassified to the income statement			
Remeasurement (losses) / gains on defined benefit scheme	**(201)**	2,730	8,480
Total items that will not be reclassified to the income statement	**(201)**	2,730	8,480
Items that will or may in the future be classified to the income statement			
Foreign exchange translation differences	**6,911**	913	1,840
Net investment hedge	**(1,971)**	(205)	440
Deferred tax arising	**(246)**	236	(127)
Total items that are or may in future be classified to the income statement	**4,694**	944	2,153
Other comprehensive income, net of income tax	**4,493**	3,674	10,633
Total comprehensive income for the period	**5,161**	9,161	16,432
Attributable to:			
Equity holders of the parent	**5,161**	9,161	16,432
Non-controlling interests	**-**	-	-
Total comprehensive income for the period	**5,161**	9,161	16,432

Condensed consolidated statement of financial position

	Notes	**30 September 2022 unaudited £000**	30 September 2021 unaudited £000	31 March 2022 audited £000
Non-current assets				
Intangible assets	12	**24,580**	22,214	22,714
Property, plant and equipment	13	**49,453**	43,632	46,964
Deferred tax assets		**1,469**	1,500	1,403
Trade and other receivables		**66**	114	115
Total non-current assets		**75,568**	67,460	71,196
Current assets				
Inventories		**18,073**	16,355	16,987
Contract assets		**10,634**	6,131	7,700
Trade and other receivables		**22,648**	23,172	19,702
Cash and cash deposits	17	**10,724**	10,394	12,347
Current tax assets		**-**	538	-
Non–current assets classified as held for sale	14	**-**	-	266
Total current assets		**62,079**	56,590	57,002
Total assets		**137,647**	124,050	128,198
Non-current liabilities				
Loans and borrowings	18	**43,583**	36,014	41,804
Deferred tax liabilities		**5,187**	4,577	4,878
Contract liabilities		**589**	-	3,099
Trade and other payables		**76**	-	-
Retirement benefit obligations	15	**24,928**	33,407	25,979
Total non-current liabilities		**74,363**	73,998	75,760
Current liabilities				
Loans and borrowings	18	**3,971**	2,751	2,948
Trade payables		**12,938**	12,895	13,399
Other payables		**7,946**	8,127	7,663
Current tax liabilities		**504**	534	170
Contract liabilities		**8,175**	8,654	3,755
Provisions		**95**	-	87
Total current liabilities		**33,629**	32,961	28,022
Total liabilities		**107,992**	106,959	103,782
Net assets		**29,655**	17,091	24,416
Equity				
Ordinary share capital issued	20	**3,671**	3,671	3,671
Share premium		**7,359**	7,359	7,359
Translation reserve		**12,180**	6,277	7,486
Retained earnings		**6,471**	(190)	5,926
Total equity attributable to equity holders of the Company		**29,681**	17,117	24,442
Non-controlling interests		**(26)**	(26)	(26)
Total equity		**29,655**	17,091	24,416

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 2022	**3,671**	**7,359**	**7,486**	**5,926**	**24,442**	**(26)**	**24,416**
Profit for the period	**-**	**-**	**-**	**668**	**668**	**-**	**668**
Other comprehensive income:							
Foreign exchange translation differences	**-**	**-**	**6,911**	**-**	**6,911**	**-**	**6,911**
Net investment hedge	**-**	**-**	**(1,971)**	**-**	**(1,971)**	**-**	**(1,971)**
Remeasurement gains on defined benefit scheme	**-**	**-**	**-**	**(201)**	**(201)**	**-**	**(201)**
Taxation on items above	**-**	**-**	**(246)**	**-**	**(246)**	**-**	**(246)**
Total comprehensive income for the period	**-**	**-**	**4,694**	**467**	**5,161**	**-**	**5,161**
Transactions with owners recorded directly in equity:							
Share based payments	**-**	**-**	**-**	**78**	**78**	**-**	**78**
Balance at 30 September 2022	**3,671**	**7,359**	**12,180**	**6,471**	**29,681**	**(26)**	**29,655**
	Prior 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 losses 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

Condensed consolidated statement of changes in equity continued

	Attributable to equity holders of the Company						
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
Condensed consolidated statement of changes in equity continued							
Prior year - audited							
Balance at 1 April 2021	3,671	7,359	5,333	(8,426)	7,937	(26)	7,911
Profit for the period	-	-	-	5,799	5,799	-	5,799
Other comprehensive income-							
Foreign exchange translation differences	-	-	1,840	-	1,840	-	1,840
Net investment hedge	-	-	440	-	440	-	440
Remeasurement losses on defined benefit scheme	-	-	-	8,480	8,480	-	8,480
Taxation on items above	-	-	(127)	-	(127)	-	(127)
Total comprehensive income for the period	-	-	2,153	14,279	16,432	-	16,432
Transactions with owners recorded directly in equity:				-			
Share based payments	-	-	-	73	73	-	73
Balance at 31 March 2022	3,671	7,359	7,486	5,926	24,442	(26)	24,416

Condensed consolidated statement of cash flows

	Notes	**Six months ended 30 September 2022 unaudited £000**	Six months ended 30 September 2021 unaudited £000	Year ended 31 March 2022 audited £000
Cash generated from operations	16	**512**	2,020	6,780
Interest paid		**(1,198)**	(983)	(2,502)
Tax paid		**(652)**	(486)	(1,309)
Net cash (used in) / from operating activities		**(1,338)**	551	2,969
Cash flows from investing activities				
Proceeds from sale of business, net of cash disposed		**-**	693	693
Proceeds from sale of property, plant and equipment	13, 14	**1,129**	25	20
Interest received		**60**	34	77
Purchase of property, plant and equipment		**(976)**	(3,514)	(4,804)
Purchase of intangible assets - computer software		**(59)**	(15)	(135)
Net cash from / (used in) investing activities		**154**	(2,777)	(4,149)
Cash flows from financing activities				
Drawings on new facilities		**198**	-	1,575
Proceeds from sale and leaseback of property, plant and equipment	14	**1,222**	-	1,410
Repayment of borrowings excluding lease liabilities		**(1,145)**	(2,247)	(2,282)
Repayment of lease liabilities		**(1,838)**	(866)	(3,196)
Net cash used in financing activities		**(1,563)**	(3,113)	(2,493)
Net decrease in cash and cash equivalents		**(2,747)**	(5,339)	(3,673)
Cash and cash equivalents at beginning of period		**12,347**	15,485	15,485
Effect of exchange rate fluctuations on cash held		**1,124**	248	535
Cash and cash equivalents at end of period	17	**10,724**	10,394	12,347

1. Basis of preparation

The condensed consolidated half year report for Carclo plc ("Carclo" or "the Group") for the six months ended 30 September 2022 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2022 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 2022 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 2022 are not the Company's complete statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) of the Companies Act 2006.

The half year report was approved by the Board of Directors on 29 November 2022. Copies are available from the corporate website.

The Group financial statements for the year ended 31 March 2022 have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards.

Going concern

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

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

On 2 September 2022 the Group successfully refinanced with the Company's bank, HSBC, concluding a first amendment and restatement agreement relating to the multicurrency term and revolving facilities agreement dated 14 August 2020. The debt facilities currently available to the Group comprise a term loan of £31.2 million, of which £0.7 million will be amortised by 31 March 2023, a further £1.4 million by 31 March 2024 and a further £2.2 million by 31 March 2025. The balance becomes payable by the termination date, 30 June 2025. At 30 September 2022, the term loans are denominated as follows: sterling 14.9 million, US Dollar 13.3 million and Euro 4.9 million. The facility also includes a £3.5m revolving credit facility, denominated in sterling, maturing on 31 May 2025.

Net debt at 30 September 2022 was £36.8 million, rising from £32.4 million at 31 March 2022 (30 September 2021: £28.4 million), £2.9 million of the increase from March 2022 being the negative impact of foreign exchange on borrowings during the period.

A schedule of contributions is in place with the pension trustees being £3.5 million to be paid annually until 31 October 2040. There are no additional contributions payable until the year ending 31 March 2025 when a contingent contribution mechanism becomes active.

The Group is subject to bank facility and pension scheme covenant tests, as described in note 1 of the Annual Report and Accounts for the year to 31 March 2022, which remain unchanged following the first amendment and restatement agreement.

Whilst the Board's base case forecast shows that the Group is able to operate within its available facilities and to meet its covenants as they fall due, the interest covenant headroom is limited.

The Directors have reviewed sensitivity testing modelling a range of severe downside scenarios. These sensitivities attempt to incorporate identified risks set out in the Principal Risks and Uncertainties section of this report and in the Annual Report and Accounts for the year to 31 March 2022. 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, margin reduction on discrete customers, exchange risk and interest rate risk.

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

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

The Group is engaging with the bank with a view to a temporary easement of the interest cover covenant. Whilst the Board is hopeful that such an easement will be granted, there is no guarantee and as such there is a material uncertainty over going concern due to the lack of forecast headroom on the interest cover covenant.

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 2022. 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 2022 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 2022 except for the following -

Going concern

Key judgement

When considering going concern, management have applied judgement over forecast profit, debt levels and interest rates, particularly base rates.

Impairment of assets

Key judgement

Management has exercised judgement to determine that there are no indicators of impairment for intangible assets at 30 September 2022.

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 (comprising the Main Board and Group Executive Committee).

The Technical Plastics segment supplies value-adding engineered solutions for the life science, optical and precision component industries. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

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

The Central segment relates to central costs and non-trading companies.

The LED Technologies segment presented as a discontinued operation in the prior period comparatives 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. Those transfers are eliminated on consolidation.

4. Segment reporting continued

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

4. Segment reporting continued

	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						
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 expense				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
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						
Capital expenditure on property, plant and equipment	2,893	29	30			2,952
Capital expenditure on computer software	15	-	-	15	-	15
Depreciation	2,950	114	19	3,083	-	3,083
Amortisation of computer software	8	-	60	68	-	68
Amortisation of other intangibles	30			30		30
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

The segment results for the year ended 31 March 2022 were as follows:

	Technical Plastics (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	Discontinued operations £000	Group total £000
Consolidated income statement						
External revenue	123,869	4,707	-	128,576	-	128,576
Expenses	(115,476)	(4,030)	(2,974)	(122,480)	-	(122,480)
Underlying operating profit / (loss)	8,393	677	(2,974)	6,096	-	6,096
COVID related US government grant income	2,087	-	-	2,087	-	2,087
Operating profit / (loss) before exceptional items	10,480	677	(2,974)	8,183	-	8,183
Exceptional operating items	-	-	721	721	-	721
Operating profit / (loss)	10,480	677	(2,253)	8,904	-	8,904
Net finance expense				(2,989)	-	(2,989)
Income tax expense				(809)	-	(809)
Profit from operating activities after tax				5,106	-	5,106
Profit on disposal of discontinued operations, net of tax - see note 5				-	693	693
Profit for the period				5,106	693	5,799
Consolidated statement of financial position						
Segment assets	121,119	6,418	661	128,198	-	128,198
Segment liabilities	(40,686)	(998)	(62,098)	(103,782)	-	(103,782)
Net assets	80,433	5,420	(61,437)	24,416	-	24,416
Other segmental information						
Capital expenditure on property, plant and equipment	9,529	36	143	9,708	-	9,708
Capital expenditure on computer software	62	-	73	135	-	135
Depreciation	6,533	234	58	6,825	-	6,825
Amortisation of computer software	16	-	120	136	-	136
Amortisation of other intangibles	67	-	-	67	-	67
Disaggregation of revenue						
Major products/service lines						
Manufacturing	98,734	4,707	-	103,441	-	103,441
Tooling	25,135	-	-	25,135	-	25,135
	123,869	4,707	-	128,576	-	128,576
Timing of revenue recognition						
Products transferred at a point in time	98,872	4,707	-	103,579	-	103,579
Products and services transferred over time	24,997	-	-	24,997	-	24,997
	123,869	4,707	-	128,576	-	128,576

5. Discontinued operations

There were no new discontinued operations in the six months to 30 September 2022 or in either of the comparative periods. Prior period proceeds were in respect to amounts received from the administrators of Wipac Ltd which was part of the former LED Technologies segment, classified as discontinued in the year to 31 March 2020. Management does not expect to receive any further proceeds from the administrators of Wipac Ltd.

6. Exceptional items

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Continuing operations			
Rationalisation costs	**(1,101)**	-	(133)
Credit arising on the disposal of surplus properties - see note 14	**769**	-	-
Gain in respect of retirement benefits	**-**	-	854
Total recognised in operating profit	**(332)**	-	721
Deferred tax credit – see note 9	**-**	893	-
	(332)	893	721
Discontinued operations			
Profit on disposal of discontinued operations - see note 5	**-**	693	693
	-	693	693
Exceptional items	**(332)**	1,586	1,414

Rationalisation costs during the six months ended 30 September 2022 relate to the restructuring and refinancing of the Group. These include £0.6 million employee related costs in respect to restructuring of the Technical Plastics division, £0.4 million legal and professional costs and £0.1m pension scheme administration costs incurred to ensure successful refinancing with the Group's principal bank and the Group pension scheme.

The credit arising on the disposal of surplus properties in the period is the profit arising on the sale and leaseback arrangement of the Technical Plastics manufacturing site at Tucson, Arizona, USA, see note 14.

There were no exceptional items recognised in operating profit from continuing operations in the comparative six months ended 30 September 2021. A £0.9 million deferred tax credit upon re-recognition of UK deferred tax assets was treated as exceptional in the six months ended 30 September 2021. In the year ended 31 March 2022, £0.1 million rationalisation costs related to the restructuring and refinancing of the Group and a £0.9 million gain in respect to retirement benefits past service credit for the impact of introducing a Pension Increase Exchange option to members were recognised as exceptional items.

The profit on disposal of discontinued operations of £0.7 million presented in the comparative periods comprises proceeds received in those periods from the administrators of Wipac Ltd, see note 5.

7. Government support for COVID-19

In April 2020, the Group received a loan under the Paycheck Protection Program, underwritten by the US government in support of COVID-19 for $2.9 million. 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. As such, the full amount was recognised in the comparative periods within operating expenses in the income statement as a credit to off-set labour and variable COVID-19 related costs incurred.

The credit recognised in respect to the COVID-19 related government grant was presented separately in the prior year comparatives on the face of the condensed consolidated income statement for clarity.

8. Net finance expense

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2021 £000
The expense recognised in the condensed consolidated income statement comprises:			
Interest receivable on cash and cash deposits	**60**	34	77
Interest payable on bank loans and overdrafts	**(1,030)**	(816)	(1,794)
Lease interest	**(303)**	(165)	(527)
Other interest	**-**	(92)	(18)
Net interest on the net defined benefit liability	**(337)**	(364)	(727)
Net finance expense	**(1,610)**	(1,403)	(2,989)

9. Income tax expense

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
The (expense) / credit recognised in the condensed consolidated income statement comprises:			
Continuing operations			
Current tax expense on ordinary activities	**(795)**	(465)	(1,470)
Deferred tax (expense) / credit on ordinary activities	**(74)**	-	661
Current tax expense on exceptional items	**(114)**	-	-
Exceptional deferred tax credit - recognition of deferred tax assets	**-**	893	-
Total income tax (expense) / credit recognised in the condensed consolidated income statement	**(983)**	428	(809)

The half year tax expense represents 59.5% of statutory profit before tax (6 months to 30 September 2021: tax credit: -8.5%) based on the estimated average effective tax rate on ordinary activities for the full year. The prior period comparative included a deferred tax credit of £0.9 million which was 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 amounts to 43.8% of underlying profit before tax and exceptional items (6 months to 30 September 2021: 20.4% after excluding the deferred tax credit of £0.9 million and before COVID government grant income).

The Group's underlying effective tax rate is higher than the underlying UK tax rate of 19.0% (6 months to 30 September 2021: 19.0%) because the Group is earning a higher proportion of its profits in higher tax jurisdictions, due to withholding tax on dividends from certain tax jurisdictions and because additional deferred tax assets in respect to UK losses have not been recognised in the period.

Deferred tax assets and liabilities at 30 September 2022 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 attributable to equity holders of the parent company divided by the weighted average number of ordinary shares outstanding during the period.

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

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

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Profit after tax but before profit on discontinued operations	**668**	4,794	5,106
Profit attributable to non-controlling interests	**-**	-	-
Profit attributable to ordinary shareholders from continuing operations	**668**	4,794	5,106
Profit on discontinued operations, net of tax	**-**	693	693
Profit after tax, attributable to equity holders of the parent	**668**	5,487	5,799

	Six months ended 30 September 2022 Shares	Six months ended 30 September 2021 Shares	Year ended 31 March 2022 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	**376,151**	15,974	324,977
Weighted average number of ordinary shares (diluted) in the period	**73,795,344**	73,435,167	73,744,170

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

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 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Profit after tax, attributable to equity holders of the parent	**668**	5,487	5,799
Continuing operations:			
Exceptional - rationalisation and restructuring costs, net of tax	**1,023**	-	133
Exceptional credit arising on the disposal of surplus properties, net of tax	**(577)**	-	-
Exceptional - gain in respect of retirement benefits, net of tax	**-**	-	(854)
Exceptional - recognition of UK deferred tax assets	**-**	(893)	**-**
COVID-related US government grant income, net of tax	**-**	(2,087)	(2,087)
Discontinued operations:			
Exceptional - gain on disposal of discontinued operations, net of tax	**-**	(693)	(693)
Underlying profit attributable to equity holders of the parent	**1,114**	1,814	2,298
COVID related US government grant income, net of tax	**-**	2,087	2,087
Profit after tax but before exceptional items, attributable to equity holders of the parent	**1,114**	3,901	4,385
Underlying operating profit - continuing operations	**3,593**	3,682	6,096
Finance revenue - continuing operations	**60**	34	77
Finance expense - continuing operations	**(1,670)**	(1,437)	(3,066)
Income tax (expense) / credit - continuing operations	**(869)**	428	(809)
Less: recognition of UK deferred tax assets - continuing operations	**-**	(893)	-
Underlying profit attributable to equity holders of the parent - continuing operations	**1,114**	1,814	2,298
COVID related US government grant income, net of tax	**-**	2,087	2,087
Profit after tax but before exceptional items - continuing operations	**1,114**	3,901	4,385

10. **Earnings per share** continued

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

	Six months ended 30 September 2022 Pence	Six months ended 30 September 2021 Pence	Year ended 31 March 2022 Pence
Basic earnings per share - continuing operations	**0.9**	6.5	7.0
Basic earnings per share - discontinued operations	**-**	0.9	0.9
Basic earnings per share	**0.9**	7.5	7.9
Diluted earnings per share - continuing operations	**0.9**	6.5	6.9
Diluted earnings per share - discontinued operations	**-**	0.9	0.9
Diluted earnings per share	**0.9**	7.5	7.9
Underlying earnings per share - basic - continuing operations	**1.5**	2.5	3.1
Underlying earnings per share - basic - discontinued operations	**-**	-	-
Underlying earnings per share - basic	**1.5**	2.5	3.1
Underlying earnings per share - diluted - continuing operations	**1.5**	2.5	3.1
Underlying earnings per share - diluted - discontinued operations	**-**	-	-
Underlying earnings per share - diluted	**1.5**	2.5	3.1
Earnings per share before exceptional items - basic - continuing operations	**1.5**	5.3	6.0
Earnings per share before exceptional items - basic - discontinued operations	**-**	-	-
Earnings per share before exceptional items - basic	**1.5**	5.3	6.0
Earnings per share before exceptional items - diluted - continuing operations	**1.5**	5.3	6.0
Earnings per share before exceptional items - diluted - discontinued operations	**-**	-	-
Earnings per share before exceptional items - diluted	**1.5**	5.3	6.0

11. Dividends paid and proposed

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

Under the terms of the amended and restated bank facilities agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending June 2025.

12. Intangible assets

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

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Net book value at the start of the period	**22,714**	21,848	21,848
Additions	**59**	15	135
Amortisation	**(105)**	(98)	(203)
Effect of movements in foreign exchange	**1,912**	449	934
Net book value at the end of the period	**24,580**	22,214	22,714

Included within intangible assets is goodwill of £23.8 million (31 March 2022 - £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 2022, 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 (31 March 2022: £0.3 million) and computer software of £0.5 million (31 March 2022: £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 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Net book value at the start of the period	**46,964**	43,218	43,218
Additions	**2,859**	2,952	9,708
Depreciation	**(3,814)**	(3,083)	(6,825)
Disposals	**(207)**	-	(20)
Reclassification of assets held for sale	**(65)**	-	(266)
Effect of movements in foreign exchange	**3,716**	545	1,149
Net book value at the end of the period	**49,453**	43,632	46,964

Of the net book value at 30 September 2022, £27.0 million is land and buildings and £22.4 million is plant and equipment (31 March 2022: £26.5 million and £20.5 million respectively). Additions to 30 September 2022 were £1.3 million to land and buildings and £1.6 million to plant and equipment with disposals of £0.0 million and £0.2 million respectively.

13. Property, plant and equipment continued

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

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Net book value at the start of the period	**11,713**	6,988	6,988
Depreciation	**(1,321)**	(823)	(2,282)
Additions	**2,002**	196	6,818
Asset transferred to right-of-use assets from owned property, plant and equipment	**372**	-	-
Derecognition of right-of-use assets	**(207)**	-	-
Effect of movements in foreign exchange	**1,020**	90	189
Net book value at the end of the period	**13,579**	6,451	11,713

Of the net book value at 30 September 2022, £7.4 million is land and buildings and £6.2 million is plant and equipment (31 March 2022: £6.7 million and £5.0 million respectively). Additions to 30 September 2022 were £1.1 million to land and buildings and £0.9 million to plant and equipment with disposals of £0.0 million and £0.2 million respectively.
£0.4 million has been reallocated from owned property, plant and equipment into right of use assets at net book value. This relates to the Tucson property that was subject to a sale and leaseback arrangement in the period, see note 14.

14. Non-current assets classified as held for sale

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Land and buildings held for sale at the start of the period	**266**	-	-
Additions	**64**	-	266
Effect of movements in foreign exchange	**30**	-	-
Disposals	**(360)**	-	-
Net assets held for sale at the end of the period	**-**	-	266

On 11 July 2022, the Group finalised a sale and leaseback arrangement of a Technical Plastics manufacturing site at Tucson, Arizona, USA for agreed consideration of $2.95 million less costs of $0.155 million (£2.351 million net). A lease term of eight years and four months has been agreed and grants the Group the right to cancel any time after 1 October 2025, provided twelve months' notice is given. At 30 September 2022 there is no reasonable certainty that the Group will exercise the break clause.

The total net book value of the property amounted to £0.7 million at the date of disposal however only the proportion relating to the disposed useful economic life was classified as held for sale prior to disposal (£0.36 million). The balance of £0.4 million that relates to the right of use asset remained in owned property, plant and equipment until completion when it was transferred into right of use assets. The profit on the portion relating to the disposed useful economic life amounted to £0.8 million and has been classified as exceptional income - credit on disposal of surplus property in the condensed consolidated income statement.

15. 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	Six months ended	Year ended
	30 September	30 September	31 March
	2022	2021	2022
	£000	£000	£000
Present value of funded obligations	**(128,079)**	(203,198)	(181,759)
Fair value of scheme assets	**103,151**	169,791	155,780
Recognised liability for defined benefit obligations	**(24,928)**	(33,407)	(25,979)

Movement in the net liability for defined benefit obligations recognised in the condensed consolidated statement of financial position:	**Six months ended**	Six months ended	Year ended
	30 September	30 September	31 March
	2022	2021	2022
	£000	£000	£000
Net liability for defined benefit obligations at the start of the period	**(25,979)**	(37,275)	(37,275)
Contributions paid	**2,392**	2,050	3,900
Net expense recognised in the condensed consolidated income statement	**(1,140)**	(939)	(1,084)
Remeasurement (losses) / gains recognised in other comprehensive income	**(201)**	2,757	8,480
Net liability for defined benefit obligations at the end of the period	**(24,928)**	(33,407)	(25,979)

Movements in the fair value of Scheme assets:	**Six months ended**	Six months ended	Year ended
	30 September	30 September	31 March
	2022	2021	2022
	£000	£000	£000
Fair value of Scheme assets at the start of the period	**155,780**	167,379	167,379
Interest income	**2,057**	1,646	3,259
(Loss) / return on Scheme assets excluding interest income	**(49,846)**	4,667	(6,763)
Contributions by employer	**2,392**	2,050	3,900
Benefit payments	**(6,429)**	(5,376)	(10,784)
Expenses paid	**(803)**	(575)	(1,211)
Fair value of Scheme assets at the end of the period	**103,151**	169,791	155,780
Actual (loss) / return on Scheme assets	**(47,789)**	6,313	(3,504)

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Notes to the accounts continued

15. Retirement benefit obligations continued

Movements in the present value of defined benefit obligations:	**Six months ended 30 September 2022 £000**	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Defined benefit obligation at the start of the period	**181,759**	204,654	204,654
Interest expense	**2,394**	2,010	3,986
Actuarial gains due to changes in demographic assumptions	**-**	-	(1,767)
Actuarial (gains) / losses due to changes in financial assumptions	**(49,645)**	1,910	(13,476)
Benefit payments	**(6,429)**	(5,376)	(10,784)
Past service credit	**-**	-	(854)
Defined benefit obligation at the end of the period	**128,079**	203,198	181,759

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were:	**Six months ended 30 September 2022**	Six months ended 30 September 2021	Year ended 31 March 2022
Discount rate at period end	**5.30%**	2.00%	2.70%
Inflation (RPI) (non-pensioner)	**3.55%**	3.45%	3.70%
Inflation (CPI) (non-pensioner)	**3.05%**	2.95%	3.20%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.55%**	3.45%	3.70%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**3.05%**	2.95%	3.20%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.45%**	3.35%	3.55%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.55%**	2.40%	2.60%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.75%**	3.75%	3.85%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.25%**	4.25%	4.30%
Life expectancy	**years**	years	years
Male (current age 45)	**19.7**	19.9	19.7
Male (current age 65)	**18.8**	19.0	18.8
Female (current age 45)	**22.0**	22.2	22.0
Female (current age 65)	**20.9**	21.0	20.9

16. Cash generated from operations

	Six months ended 30 September 2022 £000	Six months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Profit for the period - continuing operations	**668**	4,794	5,106
Profit for the period - discontinued operations	**-**	693	693
	668	5,487	5,799
Adjustments for -			
Pension scheme contributions net of administration costs settled by the Company	**(1,869)**	(1,787)	(3,258)
Pension scheme administration costs settled by the Scheme	**280**	285	569
Depreciation charge	**3,814**	3,083	6,825
Amortisation charge	**105**	98	203
Exceptional provision for staff costs	**330**	-	-
Exceptional gain in respect of retirement benefits	**-**	-	(854)
Conversion of COVID-19 government support loan to grant	**-**	(2,104)	(2,087)
Profit on business disposal	**-**	(693)	(693)
Exceptional profit on disposal of surplus property	**(769)**	-	-
Profit on disposal of other plant and equipment	**-**	(25)	-
Share based payment charge	**78**	24	73
Financial income	**(60)**	(34)	(77)
Financial expense	**1,670**	1,437	3,066
Taxation expense / (credit)	**983**	(428)	809
Operating cash flow before changes in working capital	**5,230**	5,343	10,375
Changes in working capital			
Decrease / (increase) in inventories	**410**	(3,534)	(3,816)
Increase in contract assets	**(2,112)**	(3,233)	(4,708)
(Increase) / decrease in trade and other receivables	**(1,601)**	(3,920)	42
(Decrease) / increase in trade and other payables	**(2,669)**	5,037	4,549
Increase in contract liabilities	**1,254**	2,327	338
Cash generated from operations	**512**	2,020	6,780

17. Cash and cash deposits

	As at 30 September 2022 £000	As at 30 September 2021 £000	As at 31 March 2022 £000
Cash and cash deposits	**10,724**	10,394	12,347
	10,724	10,394	12,347

The Group has a net UK multi-currency overdraft facility with a £nil net limit and a £12.5 million gross limit. At 30 September 2022, Carclo plc's overdraft of £5.9 million (31 March 2022: £2.4 million) has been recognised within cash and cash deposits when consolidated.

18. Net debt

Net debt comprises -

	As at 30 September 2022 £000	As at 30 September 2021 £000	As at 31 March 2022 £000
Cash and cash deposits	**10,724**	10,394	12,347
Term loan	**(30,722)**	(29,893)	(30,260)
Revolving credit facility	**(3,500)**	(2,000)	(3,500)
Lease liabilities	**(13,057)**	(6,758)	(10,870)
Other loans	**(275)**	(114)	(122)
Net debt	**(36,830)**	(28,371)	(32,405)

On 2 September 2022 the Group successfully refinanced with the Company's bank, HSBC, concluding a first amendment and restatement agreement relating to the multicurrency term and revolving facilities agreement dated 14 August 2020. The debt facilities currently available to the Group comprise a term loan of £31.2 million (31 March 2022: £30.3 million), of which £0.7 million will be amortised by 31 March 2023, a further £1.4 million by 31 March 2024 and a further £2.2 million by 31 March 2025. The balance becomes payable by the termination date, 30 June 2025.

An arrangement fee of £0.5 million became payable on 2 September 2022 upon completion, has been deducted from the carrying value of the term loan and is to be settled quarterly over the subsequent twelve month period.

At 30 September 2022, the term loans are denominated as follows: sterling 14.9 million, US Dollar 13.3 million and Euro 4.9 million. The facility also includes a £3.5m (31 March 2022: £3.5 million) revolving credit facility, denominated in sterling, maturing on 31 May 2025.

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

	Term loan £000	**Government COVID-19 support loan £000**	**Revolving credit facility £000**	**Lease liabilities £000**	**Other loans £000**	**Total £000**
Balance at 31 March 2021	31,812	2,104	2,000	7,055	110	43,081
Changes from financing cash flows						
Drawings on new facilities	-	-	-	569	24	593
Repayment of borrowings	(2,218)	-	-	(866)	(20)	(3,104)
	(2,218)	-	-	(297)	4	(2,511)
Effect of changes in foreign exchange rates	211	(17)	-	-	-	194
Liability-related other changes						
Conversion of loan to a grant	-	(2,087)	-	-	-	(2,087)
Interest expense	88	-	-	-	-	88
	88	(2,087)	-	-	-	(1,999)
Equity-related other changes	-	-	-	-	-	-
Balance at 30 September 2021	29,893	-	2,000	6,758	114	38,765
Changes from financing cash flows						
Drawings on new facilities	-	-	1,500	-	51	1,551
Repayment of borrowings	-	-	-	(2,329)	(44)	(2,373)
	-	-	1,500	(2,329)	7	(822)

18. Net debt continued

	Term loan £000	Government COVID-19 support loan £000	Revolving credit facility £000	Lease liabilities £000	Other loans £000	Total £000
Effect of changes in foreign exchange rates	**229**	**-**	**-**	**192**	**1**	**422**
Liability-related other charges						
Drawings on new facilities	-	-	-	6,249	-	6,249
Interest expense	138	-	-	-	-	138
	138	-	-	6,249	-	6,387
Equity-related other charges	-	-	-	-	-	-
Balance at 31 March 2022	**30,260**	**-**	**3,500**	**10,870**	**122**	**44,752**
Changes from financing cash flows						
Drawings on new facilities	**-**	**-**	**-**	**3,092**	**198**	**3,290**
Transaction costs associated with the issue of debt	**(500)**	**-**	**-**	**-**	**-**	**(500)**
Repayment of borrowings	**(1,100)**	**-**	**-**	**(1,838)**	**(45)**	**(2,983)**
	(1,600)	**-**	**-**	**1,254**	**153**	**(193)**
Effect of changes in foreign exchange rates	**1,972**	**-**	**-**	**933**	**-**	**2,905**
Liability-related other changes						
Interest expense - presented within exceptional items	**69**	**-**	**-**	**-**	**-**	**69**
Interest expense - presented within finance expense	**21**	**-**	**-**	**-**	**-**	**21**
	90	**-**	**-**	**-**	**-**	**90**
Equity-related other charges	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 September 2022	**30,722**	**-**	**3,500**	**13,057**	**275**	**47,554**

19. Financial instruments

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

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

20. Ordinary share capital

	Number of shares	£000
Ordinary shares of 5 pence each		
Issued and fully paid at 30 September 2021, 31 March 2022 and 30 September 2022	**73,419,193**	**3,671**

21. Related parties

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

Transactions with key management personnel
On 6 October 2022 the Board announced, with immediate effect, the appointment of Frank Doorenbosch as Chief Executive Officer to Carclo plc. Frank had previously been appointed as a consultant to the Group for a period of up to twelve months from 6 June 2022 and accordingly since that date has been an Executive Director of Carclo plc. On the same day, Nick Sanders, stood down as Executive chair and became Non-Executive Chair until 5 November 2022 when the Board announced that Nick Sanders would be stepping down from his role as Non-Executive Chair and as a Director of the Company.

The Board has appointed Joe Oatley as Non-Executive Chair with effect from 6 November 2022 and Eric Hutchinson, a Non-Executive Director and Chair of the Audit Committee, was appointed as Senior Independent Director and Chair of the Remuneration Committee with Effect from 6 November 2022.

Phil White has given notice of his retirement and has stepped down from his role as Chief Financial Officer and as a Director of the Company with effect from 14 November 2022. Phil will remain with the Company until his retirement in June 2023 in order to ensure a smooth transition to the new CFO. The Board has announced the promotion of David Bedford to Chief Financial Officer and appointment as a Director of the Company with effect from 14 November 2022.

During the period to 30 September 2022, the Group was billed £0.5 million (31 March 2022: £0.2 million) by Thingtrax, a company that offers intelligent manufacturing infrastructure as a service. Frank Doorenbosch, a Carclo plc Executive Director since 6 June 2022, is also a Non-Executive Director of Thingtrax and, as such, the company is identified as a related party. During the period to 30 September 2022, £0.3 million (31 March 2022: £0.1 million) has been recognised as a cost in the condensed consolidated income statement; a balance of £0.3 million remains on balance sheet as prepaid at 30 September 2022 and will be recognised in the second half of the year to 31 March 2023.

Key management personnel are considered to be the Executive Directors of the Group. Full details of directors' remuneration is disclosed in the Group's annual report. In the six months ended 30 September 2022, remuneration to current and former directors amounted to £0.434 million (six months ended 30 September 2021 - £0.219 million).

On 3 August 2022 P White, the Group's former Chief Financial Officer was granted 386,778 share options under the terms of the Carclo plc 2017 Performance Share Plan ("PSP") (30 September 2021: 386,778). The options will vest at the end of a three-year period depending on the achievement of performance targets set out in the PSP rules and 204,992 are then subject to a further two-year holding period. The awards take the form of nil cost options, being an option under the PSP with a £nil exercise price. Share price at date of award was 20.02 pence and fair value at date of award totalled £0.053 million (30 September 2021: 41.60 pence, £0.118 million respectively).

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

Core contributions of £0.292 million per month have been made during the six months to 30 September 2022, incorporating both deficit recovery contributions and scheme expenses including PPF levy. An additional payment of £0.35 million has also been made during the period under the schedule of contributions.

Carclo incurred administration costs of £0.803 million during the period which has been charged to the consolidated income statement, including £0.124 million presented as exceptional costs, (30 September 2021: £0.575 million, of which £nil was presented as exceptional). Of the administration costs, £0.524 million was paid directly by the scheme (30 September 2021: £0.285 million). The total deficit reduction contributions and administration costs paid during the period was £2.4 million (30 September 2021: £2.1 million).

22. Post balance sheet events

With the exception of those disclosed within note 21 Related parties, there are no events that have occurred since the period end that require disclosure in the report.

23. Seasonality

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

INDEPENDENT REVIEW REPORT TO CARCLO PLC

Conclusion
We have been engaged by Carclo plc ("the company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the consolidated cash flow statement and related notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

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

Material Uncertainty relating to going concern
We draw attention to note 1 to the interim financial information which indicates that the directors have considered the Group's ability to operate within its available banking facilities and to meet the associated covenants as they fall due. In the base case forecasts the interest cover covenant headroom is limited, principally due to increases in interest rates, and a manifestation of the risks facing the Group, individually or in combination, could lead to a breach of the Group's banking covenants. These events and conditions, indicate the existence of a material uncertainly in respect of the Group's ability to continue as a going concern.

Our conclusion is not modified in this respect.

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

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

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

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

Signed:

Mazars LLP
Chartered Accountants
30 Old Bailey
London EC4M 7AU

Date: 29 November 2022

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.