Carclo plc
Interim Report and Accounts
Half Year Ended 30 September 2020

Half Year Results for the six months ended 30 September 2020

Carclo plc, a global provider of value-adding engineered solutions for the medical, optical, electronics and aerospace industries announces its results for the first half of the financial year to 31 March 2021, being the six months to 30 September 2020 (“H1 2021”).

The key financial performance measures for H1 2021 are summarised below:

	H1 2021 £000	H1 2020 £000
Revenue from continuing operations	**49,950**	56,115
Underlying[1] operating profit from continuing operations	**1,529**	3,322
Underlying[1] profit before tax from continuing operations	**437**	2,087
Underlying[1] earnings per share from continuing operations	**0.0p**	2.2p
Statutory operating profit / (loss)	**227**	(4,169)
Statutory loss before tax	**(865)**	(5,554)
Basic loss per share	**(1.8p)**	(8.3p)
Net debt excluding IFRS16 lease liabilities	**24,415**	26,758
Net debt including IFRS16 lease liabilities	**29,358**	31,689
IAS 19 retirement benefit liability	**58,121**	51,349

Revenue from continuing operations		
Technical Plastics	47,214	52,440
Aerospace	2,736	3,675
Total	**49,950**	**56,115**
Underlying operating profit from continuing operations		
Technical Plastics	3,226	4,642
Aerospace	484	718
Unallocated	(2,181)	(2,038)
Total	**1,529**	**3,322**
Underlying EBITDA from continuing operations	**4,576**	**6,345**

- H1 2021 saw resilient performances from the two continuing businesses (Aerospace and Technical Plastics) in the context of COVID-19.
- Revenue from continuing operations decreased by 11% to £50.0m (H1 2020: £56.1m)
- Underlying operating profit from continuing operations decreased by 54% to £1.5m (H1 2020: £3.3m)
- Exceptional costs relating to continuing operations were £1.3m (H1 2020: £1.9m)

- Group statutory loss before tax was £0.9m (H1 2020: £5.6m)

- Progress was made in improving the financial position of the Group with net debt, excluding IFRS16 lease liabilities, reducing to £24.4m at 30 September 2020 (30 September 2019: £26.8m)

- Two significant tooling agreements were secured with a new medical customer for COVID-19 test components with supply of manufactured product due to commence in 2021

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

Reconciliation of non-GAAP financial measures - H1 2021

£m	Statutory	Exceptional items	Underlying Group
CTP operating profit	3.1	0.1	3.2
Aerospace operating profit	0.5	-	0.5
Central costs	(3.4)	1.2	(2.2)
Group operating profit from continuing operations	0.2	1.3	1.5
Other finance expense	(1.1)	-	(1.1)
Group (loss) / profit before taxation	(0.9)	1.3	0.4
Taxation	(0.5)	-	(0.5)
Group (loss) / profit for the period	(1.3)	1.3	0.0
Basic (loss) / earnings per share (pence)	(1.8p)	1.8p	0.0p

Commenting on the results, Nick Sanders (Executive Chairman) said:
"The first half of the financial year has been one of transition against a backdrop of economic uncertainty resulting from the COVID-19.

Our priority has been to keep our employees and our communities safe whilst maximising our output during this challenging period.

As previously announced the Group reached agreement with the trustees of the Carclo Group Pension Scheme and its bank to agree a schedule of contributions to the pension fund and to extend its banking facilities to 2023. This has provided a stable platform for the Group to move forward and to develop its CTP and Aerospace divisions.

Trading in the first half of the year was adversely affected by the pandemic with the impact of lockdowns in several countries causing either disruption to our customers or our own operations. The Group has responded swiftly to these challenges by taking advantage of government assistance where available, implementing local Health & Safety measures and adjusting shift patterns as necessary.

Demand for CTP products in the medical diagnostics sector is increasing as a result of the pandemic and we hope to secure further new contract awards over the coming months. Conversely demand in the aerospace sector is significantly down on pre-pandemic levels and we have responded to this by looking for alternative sources of business and cutting costs. Despite this trading in the aerospace division will remain challenging for some time".

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 for the year ended 31 March 2020, 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

The Group's trading performance for the six month period to 30 September 2020 ("H1 2021") was slightly ahead of the Board's expectations although performances from both the Technical Plastics ("CTP") and Aerospace divisions (collectively and with the head office function the "continuing operations") were behind those of the prior period with Group revenue from continuing operations decreasing by 11% to £50.0m (H1 2020: £56.2m) .

CTP revenues decreased by 10% to £47.2m (H1 2020: £52.4m) and CTP underlying operating profit decreased by 31% to £3.2m (H1 2020: £4.6m) following the COVID-19 related disruption to non-medical diagnostics customer demand and business interruption caused by local lockdowns. Government grants of £0.4m were recognised within CTP operating expenses during the period.

Aerospace operating profit decreased by 33% to £0.5m (H1 2020: £0.7m) with the COVID-19 pandemic suppressing customer demand as new aircraft build rates reduced. Government grants of £0.2m were recognised within Aerospace operating expenses during the period. Management has taken steps to reduce operating expenses which has unfortunately resulted in some redundancies to the workforce. At the same time the business is pursuing alternative sources of business to diversify its sector exposure.

On a constant currency basis revenue from continuing operations decreased by 10%. This revenue decline drove a reduction in underlying operating profit from continuing operations of 54% to £1.5m (H1 2020: £3.3m). On a constant currency basis underlying operating profit from continuing operations decreased by 53%.

Central costs increased marginally to £2.2m (H1 2020: £2.0m). As previously reported, the LED Division was exited during 2020 and its results for the comparative period are presented separately from the residual Group as discontinued operations.

Exceptional costs during H1 2021 totalled £1.3m (H1 2020: £1.9m) and principally relate to the costs of external advisers to the Company, its lending bank and the Group pension scheme for the restructuring of the Group's financing and contribution arrangements with its lending bank and the Group pension scheme.

Finance costs of £1.1m (H1 2020: £1.4m) consisted of net interest payable on bank loans and leases of £0.7m (H1 2020: £0.8m) and net interest on the defined benefit pension liability of £0.4m (H1 2020: £0.6m). The decreases in costs were due to the reduction in bank loans and the reduction in the opening defined benefit pension liability relative to the preceding period end which decreases the imputed interest cost.

The Group statutory loss before tax was £0.9m (H1 2020: £5.6m).

The underlying effective tax rate for the period was 61%. The rate is impacted by a deferred tax asset that has not been recognised in respect of UK tax losses as there is no certainty that the losses will be utilised in the foreseeable future.

Underlying earnings per share from continuing operations for H1 2021 was 0.0 pence (H1 2020: 2.2 pence). The statutory loss per share for the period, for all operations, was 1.8 pence (H1 2020: 8.3 pence).

Board and management changes

During the period the following changes to the Board took place:

Joe Oatley became Chairman on 27 April 2020; Nick Sanders was appointed as a Non-Executive Director and Chairman-elect on 18 August 2020 and became Non-Executive Chairman on 30 September 2020; Antony Collins stood down as Group CEO on 5 October 2020 and Nick Sanders became Executive Chairman on the same day. The Board would like to thank Antony for his contribution to the business.

The Company also announces that Matt Durkin-Jones has informed the Board of his intention to step down from his role as Interim Chief Financial Officer and as a Director of the Board with effect from 17

December 2020. Matt had joined the Board for an initial six-month term on 21 January 2020. The Board would like to thank Matt for his service over the previous months and extend him every good wish for the future. The search for his successor is underway.

Outlook

The Board expects the Group to report a marginally stronger underlying operating profit performance in the second half of the financial year subject to any further COVID-19 disruption beyond its current expectation. This reflects higher anticipated CTP product sales from its existing customer base alongside revenues from two new tooling agreements for COVID-19 test components which were entered into during the period with a new medical customer. This is expected to offset a weaker performance in the Aerospace division during the second half due to lower customer demand.

The medium term outlook for the Aerospace business remains uncertain with ongoing weakness in the sector. However, prospects for CTP are positive with the division retaining a strong position in the growing medical diagnostics market.

Financial Position

Cash generated from operations during the first half was £0.6m (H1 2020: £14.6m) despite the exceptional cash costs of £1.3m associated with external advisor fees related to the restructuring, cash payments to the pension scheme of £1.1m and net working capital outflows of £2.3m. The comparative period H1 2020 also suffered £2.0m of exceptional advisor costs but benefitted from one-off asset realisations related to the discontinued LED division.

Gross capital expenditure for the period was £2.8m (H1 2020: £6.2m including discontinued operations of £4.7m), with the majority related to investment in production machinery, facility improvements and property lease extensions in the CTP division. Gross capital expenditure on a cash basis was £0.8m with the Group making use of various financing arrangements.

These factors, combined with £0.7m of interest payments and £0.3m of tax payments, resulted in net debt (excluding IFRS 16 lease liabilities) increasing since the last financial year end to £24.4m (31 March 2020: £22.1m). Including IFRS 16 lease liabilities net debt was £29.4m at the end of the period (31 March 2020: £27.4m).

At 30 September 2020, the Group's total UK bank facilities were £38.0m of which £34.5m related to a term loan and £3.5m to a revolving credit facility.

Government COVID-19 support loans of £2.6m were received during the period and are presented within interest bearing loans and borrowings at 30 September 2020.

The Group's IAS 19 pension deficit increased to £58.1m as at 30 September 2020 (31 March 2020: £37.6m) despite strong asset returns during the period. This was mainly due to the adverse impact of a change in the assumption for the discount rate on liabilities to 1.50% per annum (31 March 2020: 2.30%) as the AA corporate bond rate fell.

The 31 March 2018 triennial actuarial valuation and recovery plan was finalised on 14 August 2020 and in accordance with that recovery plan total contributions paid by the Company (for deficit recovery contributions and scheme administration costs) for the six-month period were £1.4m (H1 2020: £1.1m). Total contributions for the six-month period to 31 March 2021 are expected to be £1.5m.

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.

Post Balance Sheet Events

On 19 November 2020 £0.5m of proceeds from the Administrators of former subsidiary Wipac Ltd was received by the Group's lending bank and used to reduce the drawn balance on the Group's debt facility reducing net debt accordingly. At 30 September 2020 no asset is recognised in respect of these proceeds and so this will be recognised by the Group as an exceptional profit on disposal of discontinued operations during the second half of the financial year. A total of £1.0m potential future proceeds, including this £0.5m, is disclosed as a contingent asset at 30 September 2020.

Principal Risks and Uncertainties

In the Annual Report for the year ended 31 March 2020 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 2020 Annual Report, it is worth noting that:

- COVID-19 related uncertainty continues with 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 be further impacted;
- the impact of Brexit remains unclear as negotiations between the EU and the UK continue and could impact on customers' investment decisions;
- during the current period two significant tooling agreements were entered into with a new medical customer which helps to diversify the Group's customer portfolio and reduces its reliance on other major customers. These agreements and pending subsequent agreements for the supply of manufactured product are subject to operational execution risk; and
- as a result of historical trading issues, the PPF levy payable by the Group pension scheme has increased during the half year and may continue at a higher rate than has been incurred historically. This would impact on the Group's reported earnings.

Going Concern

These interim financial statements have been prepared on a going concern basis as detailed in Note 1 to these interim accounts. There is limited headroom in a number of the banking covenants for the 12 month periods to 30 June 2021 and 30 September 2021. Any material manifestation of the above risks, individually or in combination, could therefore lead to a breach of the Group's banking covenants. Management has considered the impact of potential mitigations including 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	**Matt Durkin-Jones**
Executive Chairman	Chief Financial Officer

26 November 2020

Glossary of Terms

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

Condensed consolidated income statement

	Notes	**Six months ended 30 September 2020 unaudited £000**	Six months ended 30 September 2019 unaudited £000	Year ended 31 March 2020 audited £000
Revenue - continuing operations	4	**49,950**	56,115	110,506
Underlying operating profit		**1,529**	3,322	7,313
Exceptional items	5	**(1,302)**	(1,930)	(5,470)
Operating profit -	4	**227**	1,392	1,843
Finance revenue	7	**57**	51	97
Finance expense	7	**(1,149)**	(1,286)	(2,485)
(Loss) / Profit / before tax -		**(865)**	157	(545)
Income tax expense	8	**(456)**	(501)	(1,355)
Loss after tax but before loss on discontinued operations		**(1,321)**	(344)	(1,900)
Loss on discontinued operations, net of tax		**-**	(5,747)	(9,509)
Loss for the period		**(1,321)**	(6,091)	(11,409)
Attributable to -				
Equity holders of the parent		**(1,321)**	(6,091)	(11,409)
Non-controlling interests		**-**	-	-
		(1,321)	(6,091)	(11,409)
Earnings per ordinary share	8			
Basic - continuing operations		**(1.8) p**	(0.5) p	(2.6) p
Basic - discontinued operations		**- p**	(7.8) p	(13.0) p
Basic		**(1.8) p**	(8.3) p	(15.5) p
Diluted - continuing operations		**(1.8) p**	(0.5) p	(2.6) p
Diluted - discontinued operations		**- p**	(7.8) p	(13.0) p
Diluted		**(1.8) p**	(8.3) p	(15.5) p

Condensed consolidated statement of comprehensive income

	Six months ended 30 September 2020 unaudited £000	Six months ended 30 September 2019 unaudited £000	Year ended 31 March 2020 audited £000
Loss for the period	**(1,321)**	(6,091)	(11,409)
Other comprehensive income:			
Items that will not be reclassified to the income statement			
Remeasurement (losses) / gains on defined benefit scheme	**(20,714)**	(2,450)	7,805
Deferred tax arising	**-**	-	-
Total items that will not be reclassified to the income statement	**(20,714)**	(2,450	7,805
Items that are or may in the future be classified to the income statement			
Foreign exchange translation differences	**(79)**	2,363	716
Net investment hedge	**(18)**	(704)	(549)
Deferred tax arising	**57**	(136)	(124)
Total items that are or may in future be classified to the income statement	**(40)**	1,523	43
Other comprehensive (expense) / income, net of income tax	**(20,754)**	(927)	7,848
Total comprehensive (expense) / income for the period	**(22,075)**	(7,018)	(3,561)
Attributable to:			
Equity holders of the parent	**(22,075)**	(7,018)	(3,561)
Non-controlling interests	**-**	-	-
Total comprehensive expense for the period	**(22,075)**	(7,018)	(3,561)

Condensed consolidated statement of financial position

	Notes	**30 September 2020 unaudited £000**	30 September 2019 unaudited £000	31 March 2020 audited £000
Assets				
Intangible assets	11	**22,863**	24,800	22,880
Property, plant and equipment	12	**40,127**	38,833	40,395
Investments		**-**	7	-
Deferred tax assets		**338**	196	407
Trade and other receivables		**116**	49	114
Total non-current assets		**63,444**	63,885	63,796
Inventories		**13,968**	15,312	14,201
Contract assets		**3,519**	2,044	1,424
Trade and other receivables		**19,665**	22,291	19,775
Cash and cash deposits	17, 18	**23,379**	20,493	19,309
Assets held for sale	13	**-**	25,886	-
Total current assets		**60,531**	86,026	54,709
Total assets		**123,975**	149,911	118,505
Liabilities				
Interest bearing loans and borrowings	18	**38,738**	34,439	3,862
Deferred tax liabilities		**4,315**	4,085	4,559
Contract Liabilities		**426**	-	-
Retirement benefit obligations	15	**58,121**	51,349	37,620
Total non-current liabilities		**101,600**	89,873	46,041
Trade and other payables		**17,174**	18,299	18,420
Current tax liabilities		**558**	583	879
Contract liabilities		**3,877**	2,065	1,607
Provisions		**18**	267	23
Interest bearing loans and borrowings	18	**13,999**	16,633	42,804
Liabilities directly associated with the assets held for sale	13	**-**	16,850	-
Total current liabilities		**35,626**	54,697	63,733
Total liabilities		**137,226**	144,570	109,774
Net assets		**(13,251)**	5,341	8,731
Equity				
Ordinary share capital issued	20	**3,671**	3,671	3,671
Share premium		**7,359**	7,359	7,359
Translation reserve		**7,011**	8,531	7,051
Retained earnings		**(31,266)**	(14,194)	(9,324)
Total equity attributable to equity holders of the parent		**(13,225)**	5,367	8,757
Non-controlling interests		**(26)**	(26)	(26)
Total equity		**(13,251)**	5,341	8,731

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 2020	**3,671**	**7,359**	**7051**	**(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**
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)**
Prior half year period - unaudited							
Balance at 1 April 2019	3,671	7,359	7,008	(5,745)	12,293	(26)	12,267
Loss for the period	-	-	-	(6,091)	(6,091)	-	(6,091)
Other comprehensive income:							
Foreign exchange translation differences	-	-	2,363	-	2,363	-	2,363
Net investment hedge	-	-	(704)	-	(704)	-	(704)
Remeasurement losses on defined benefit scheme	-	-	-	(2,450)	(2,450)	-	(2,450)
Taxation on items above	-	-	(136)	-	(136)	-	(136)
Transactions with owners recorded directly in equity:							
Share based payments	-	-	-	92	92	-	92
Balance at 30 September 2019	3,671	7,359	8,531	(14,194)	5,367	(26)	5,341
Prior year period - audited							
Balance at 1 April 2019	3,671	7,359	7,008	(5,745)	12293	(26)	12267
Loss for the period	-	-	-	(11,409)	(11,409)	-	(11,409)
Other comprehensive income:							
Foreign exchange translation differences	-	-	716	-	716	-	716
Net investment hedge	-	-	(549)	-	(549)	-	(549)
Remeasurement losses on defined benefit scheme	-	-	-	7,805	7,805	-	7,805
Taxation on items above	-	-	(124)	-	(124)	-	(124)
Transactions with owners recorded directly in equity:							
Share based payments	-	-	-	25	25	-	25
Balance at 31 March 2020	3,671	7,359	7,051	(9,324)	8,757	(26)	8,731

Condensed consolidated statement of cash flows

	Notes	**Six months ended 30 September 2020 unaudited £000**	Six months ended 30 September 2019 unaudited £000	Year ended 31 March 2020 audited £000
Cash generated from operations	16	**570**	14,635	21,803
Interest paid		**(725)**	(560)	(1,568)
Tax paid		**(342)**	(348)	(933)
Net cash from operating activities		**(497)**	13,727	19,302
Cash flows from investing activities				
Proceeds from sale of business, net of cash disposed		**-**	-	5,456
Proceeds from sale of property, plant and equipment		**-**	2,500	2,500
Interest received		**57**	57	104
Acquisition of subsidiaries, net of cash acquired		**-**	-	(250)
Purchase of property, plant and equipment		**(730)**	(3,296)	(8,512)
Purchase of intangible assets - computer software		**(80)**	(16)	(19)
Net cash from investing activities		**(753)**	(755)	(721)
Cash flows from financing activities				
Drawings on term loan facilities		**32,221**	-	-
Repayment of other loan facilities		**(28,147)**	-	(9)
Receipt of government support loans	6	**2,589**	-	-
Repayment of lease liabilities		**(905)**	(2,334)	(3,122)
Net cash from financing activities		**5,758**	(2,334)	(3,131)
Net increase in cash and cash equivalents		**4,508**	10,638	15,450
Cash and cash equivalents at beginning of period		**8,352**	(7,038)	(7,038)
Effect of exchange rate fluctuations on cash held		**(153)**	260	(60)
Cash and cash equivalents at end of period	17	**12,707**	3,860	8,352

Notes to the accounts

1 Basis of preparation

Except as outlined below, the condensed consolidated half year report for Carclo plc ("Carclo" or "the Group") for the six months ended 30 September 2020 has been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2020 and in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority and the requirements of IAS 34 "Interim Financial Reporting" as adopted by the EU.

The financial information is unaudited.

The half year report does not constitute financial statements and does not include all of the information and disclosures required for full annual statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 March 2020 which is available either on request from the Company's registered office, Springstone House, PO Box 88, 27 Dewsbury Road, Ossett, WF5 9WS, or can be downloaded from the corporate website - www.carclo-plc.com.

The comparative figures for the financial year ended 31 March 2020 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) of the Companies Act 2006.

The half year report was approved by the board of directors on 26 November 2020. Copies are available from the corporate website.

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

Going Concern

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

Net debt at 30 September 2020 was £29.4m, rising from £27.4m at 31 March 2020 and is forecast to peak in the second quarter of the next financial year. The increase was driven by capital investment and net working capital outflows. The Group's financing remains within banking covenants as at 30 September 2020.

The Directors have prepared cash flow and covenant forecasts to cover the 12-month period from the date of the approval of these condensed interim financial statements taking into account 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 2020.

These forecasts demonstrate that in the base case the Group has sufficient liquidity and covenant headroom throughout the forecast period, although covenant headroom is very limited for the underlying interest cover and core subsidiary underlying EBITA covenant tests for the 12-month period ending 30 June 2021, and for the underlying interest cover, net debt to underlying EBITDA and core subsidiary underlying EBITA covenant tests for the 12-month period ending 30 September 2021. The limited headroom is largely due to ongoing COVID-19 disruption coupled with the impact on earnings of a significant increase in the PPF levy.

The ongoing Coronavirus pandemic and the risk of a no-deal Brexit create additional uncertainty in the quantum and timing of cash flows and earnings in the 12-month forecast period. Any material manifestation of these or other uncertainties could lead to a breach of the Group's banking covenants.

Management has considered the impact of potential mitigations including 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 they consider issuing a covenant waiver.

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 12-month period from the date of signing these 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 2020.

The Group's accounting policy for government grants is that income-based government grants are recognised in profit or loss over the period in which the related costs are recognised as an expense. They are presented by deducting the grant from the related expense.

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 2020 but they are not expected to have a material effect on the Group's financial statements.

Notes to the accounts continued

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 2020 except for the following -

Government grants
Management has made a judgement that conditions attached to £2.6 million of government grants in support of COVID-19 interruption have not been met at 30 September 2020 and therefore the proceeds have been presented as loans and borrowings in the condensed consolidated statement of financial position.

Discontinued operations
The key judgement regarding the disposal of the LED Technologies business and presentation of its results as a discontinued operation has no impact on these interim financial statements.

4 Segment reporting

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

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

The Aerospace segment supplies systems to the manufacturing and aerospace industries

The Central segment relates to central costs, non-trading companies and eliminations of inter-segment revenue.

The LED Technologies segment presented as a discontinued operation in the comparative periods 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.

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

	Technical Plastics £000	Aerospace £000	Central £000	Group total £000
The segment results for the six months ended 30 September 2020 were as follows -				
Consolidated income statement				
Total revenue	**47,214**	**2,736**	**-**	**49,950**
Less inter-segment revenue	**-**	**-**	**-**	**-**
Total external revenue	**47,214**	**2,736**	**-**	**49,950**
Expenses	**(43,988)**	**(2,252)**	**(2,181)**	**(48,421)**
Underlying operating profit	**3,226**	**484**	**(2,181)**	**1,529**
Exceptional items	**(74)**	**(13)**	**(1,215)**	**(1,302)**
Operating profit	**3,152**	**471**	**(3,396)**	**227**
Net finance expense				**(1,092)**
Income tax expense				**(456)**
Profit 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**

Notes to the accounts continued

4 **Segment reporting** continued

	Technical Plastics continuing £000	Aerospace continuing £000	Central continuing £000	Total continuing £000	LED Technologies discontinued £000	Group total £000
The segment results for the six months ended 30 September 2019 were as follows –						
Consolidated income statement						
Total revenue	53,826	3,675	(1,469)	56,032	22,002	78,034
Less inter-segment revenue	(1,386)	-	1,469	83	(83)	-
Total external revenue	52,440	3,675	-	56,115	21,919	78,034
Expenses	(47,798)	(2,957)	(2,038)	(52,793)	(24,666)	(77,459)
Underlying operating profit / (loss)	4,642	718	(2,038)	3,322	(2,747)	575
Exceptional operating items	(22)	(10)	(1,898)	(1,930)	(2,814)	(4,744)
Operating profit	4,620	708	(3,936)	1,392	(5,561)	(4,169)
Net finance expense						(1,385)
Income tax expense						(537)
Profit after tax						(6,091)
Consolidated statement of financial position						
Segment assets	103,894	7,272	7,908	119,074	30,837	149,911
Segment liabilities	(23,276)	(1,575)	(102,869)	(127,720)	(16,850)	(144,570)
Net assets	80,618	5,697	(94,961)	(8,646)	13,987	5,341
Other segmental information						
Depreciation	2,763	130	25	2,918	249	3,167
Amortisation	55	-	50	105	-	105
Disaggregation of revenue						
Major products/service lines						
Manufacturing	48,718	3,675	-	52,393	20,919	73,312
Tooling	3,722	-	-	3,722	1,000	4,722
	52,440	3,675	-	56,115	21,919	78,034
Timing of revenue recognition						
Products transferred at a point in time	48,718	3,675	-	52,393	20,919	73,312
Products and services transferred over time	3,722	-	-	3,722	1,000	4,722
	52,440	3,675	-	56,115	21,919	78,034

Notes to the accounts continued

4 Segment reporting continued

	Technical Plastics continuing £000	Aerospace continuing £000	Central continuing £000	Total continuing £000	LED Technologies discontinued £000	Group total £000
The segment results for the year ended 31 March 2020 were as follows:						
Consolidated income statement						
Total revenue	105,169	7,453	(2,116)	110,506	35,782	146,288
Less inter-segment revenue	(2,116)	-	2,116		-	-
Total external revenue	103,053	7,453	-	110,506	35,782	146,288
Expenses	(93,800)	(5,800)	(3,593)	(103,193)	(38,730)	(141,923)
Underlying operating profit / (loss)	9,253	1,653	(3,593)	7,313	(2,948)	4,365
				-		-
Exceptional operating Items	(10)	(1,440)	(4,020)	(5,470)	(3,309)	(8,779)
Operating profit / (loss)	9,243	213	(7,613)	1,843	(6,257)	(4,414)
Net finance expense				(2,388)	(197)	(2,585)
Income tax expense				(1,355)	(94)	(1,449)
Loss from operating activities after tax				(1,900)	(6,548)	(8,448))
Loss on disposal of discontinued operations, net of tax				-	(2,962)	(2,962)
Loss for the period				(1,900)	(9,510)	(11,410)
Consolidated statement of financial position						
Segment assets	101,005	6,287	11,213	118,505	-	118,505
Segment liabilities	(27,207)	(1,321)	(81,246)	(109,774)	-	(109,774)
Net assets	73,798	4,966	(70,033)	(8,731	-	8,731
Other segmental information						
Depreciation	5,675	270	6	5,951	814	6,765
Amortisation	77	-	95	172	-	172
Disaggregation of revenue						
Major products/service lines						
Manufacturing	94,073	7,453	-	101,526	34,492	136,018
Tooling	8,981	-	-	8,981	1,290	10,271
	103,054	7,453	-	110,507	35,782	146,289
Timing of revenue recognition						
Products transferred at a point in time	94,073	7,453	-	101,526	34,492	136,018
Products and services transferred over time	8,981	-	-	8,981	1,290	10,271
	103,054	7,453	-	110,507	35,782	146,289

5 Exceptional costs

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Continuing operations			
Rationalisation and restructuring costs	**(1,302)**	(1,930)	(4,065)
Impairment of Aerospace	**-**	-	(1,405)
	(1,302)	(1,930)	(5,470)
Discontinued operations			
Rationalisation costs	**-**	(1,313)	(1,807)
Impairment of LED Technologies	**-**	(1,501)	(1,501)
Loss on disposal of discontinued operations	**-**	-	(2,962)
	-	(2,814)	(6,270)
Exceptional Items	**(1,302)**	(4,744)	(11,740)

£1.2 million of rationalisation and restructuring costs during the period related to the restructuring of the Group's relationships with its main creditors, namely the bank and the Group pension scheme.

6 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 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
The governmental support utilised during the period was -				
Grants	Used to offset labour and variable costs. Included in operating expenses.	**615**	-	-
Loans	Presented in interest bearing loans and borrowings	**2,589**	-	-
Payment deferrals	Presented in trade and other payables	**705**	-	-

7 Net finance expense

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
The expense recognised in the condensed consolidated income statement comprises -			
Continuing operations			
Interest receivable on cash and cash deposits	**57**	51	96
Interest payable on bank loans and overdrafts	**(635)**	(654)	(1,142)
Lease interest	**(89)**	(42)	(165)
Other interest	**(1)**	(8)	(55)
Net interest on the net defined benefit liability	**(424)**	(582)	(1,122)
	(1,092)	(1,235)	(2,388)
Discontinued operations			
Interest receivable on cash and cash deposits	**-**	6	7
Interest payable on bank loans, overdrafts	**-**	(84)	(121)
Lease interest	**-**	(38)	(49)
Other interest	**-**	(33)	(34)
	-	(149)	(197)
Net finance expense	**(1,092)**	(1,384)	(2,585)

8 Income tax expense

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
The expense recognised in the condensed consolidated income statement comprises:			
Continuing operations			
Current tax expense on ordinary activities	**(563)**	(501)	(1,100)
Deferred tax credit on ordinary activities	**107**	-	(268)
Current tax credit on exceptional items	**-**	-	13
	(456)	(501)	(1,355)
Discontinued operations			
Current tax expense arising on ordinary activities	**-**	(36)	-
Deferred tax expense arising on ordinary activities	**-**	-	(96)
	-	(36)	(96)
Total income tax expense recognised in the condensed consolidated income statement	**(456)**	(537)	(1,451)

The half year accounts include an underlying tax charge of 61.5% of underlying profit before tax (2020 - 82.2%) based on the estimated average effective income tax rate on ordinary activities for the full year.

The half year tax charge represents (52.7%) of statutory loss before tax based on the estimated average effective income tax rate on ordinary activities for the full year.

The Group's effective tax rate on ordinary activities is at a higher level than the underlying UK tax rate of 19.0% (H1 2020 - 19.0%) mainly because a deferred tax asset has not been recognized in respect of the UK losses and also since the Group is earning a higher proportion of its profits in higher tax jurisdictions.

Deferred tax assets and liabilities at 30 September 2020 have been calculated on the rates substantively enacted at the balance sheet date. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

A deferred tax asset has not been recognised at 30 September 2020 in respect of UK losses, capital allowances and future retirement benefit payments, as there is no certainty that they will be utilised in the foreseeable future.

Notes to the accounts continued

9 **Earnings per share**

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

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

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Loss after tax from continuing operations	**(1,321)**	(344)	(1,900)
Loss attributable to non-controlling interests	**-**	-	-
Loss attributable to ordinary shareholders from continuing operations	**(1,321)**	(344)	(1,900)
Loss on discontinued operations net of tax	**-**	(5,747)	(9,509)
Loss after tax, attributable to equity holders of the parent	**(1,321)**	(6,091)	(11,409)

	Six months ended 30 September 2020 Shares	Six months ended 30 September 2019 Shares	Year ended 31 March 2020 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	**-**	-	-
Weighted average number of ordinary shares (diluted) in the period	**73,419,193**	73,419,193	73,419,193

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

The following table reconciles the Group's profit to underlying profit used in the numerator in calculating underlying earnings per share -

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
(Loss) / profit after tax, attributable to equity holders of the parent	**(1,321)**	(6,091)	(11,409)
Continuing operations:			
Rationalisation and restructuring costs, net of tax	**1,302**	1,930	4,052
Impairment of Aerospace net of tax	**-**	-	1,405
Discontinued operations:			
Rationalisation and restructuring costs, net of tax	**-**	1,313	1,807
Impairment of LED Technologies, net of tax	**-**	1,501	1,501
Loss on disposal of discontinued operations net of tax	**-**	-	2,962
Underlying profit / (loss) attributable to equity holders of the parent	**(19)**	(1,347)	318
Underlying operating profit - continuing operations	**1,529**	3,322	7,313
Finance revenue - continuing operations	57	51	97
Finance expense - continuing operations	(1,149)	(1,286)	(2,485)
Income tax expense - continuing operations	(456)	(501)	(1,355)
Underlying profit / (loss) attributable to equity holders of the parent - continuing operations	**(19)**	1,586	3,570

Notes to the accounts continued

9 Earnings per share continued

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

	Six months ended 30 September 2020 Pence	Six months ended 30 September 2019 Pence	Year ended 31 March 2020 Pence
Basic (loss) / earnings per share - continuing operations	**(1.8)**	(0.5)	(2.6)
Basic (loss) / earnings per share - discontinued operations	**-**	(7.8)	(13.0)
Basic (loss) / earnings per share	**(1.8)**	(8.3)	(15.5)
Diluted (loss) / earnings per share - continuing operations	**(1.8)**	(0.5)	(2.6)
Diluted (loss) / earnings per share - discontinued operations	**-**	(7.8)	(13.0)
Diluted (loss) / earnings per share	**(1.8)**	(8.3)	(15.5)
Underlying earnings per share - basic - continuing operations	**0.0**	2.2	4.9
Underlying (loss) / earnings per share - basic - discontinued operations	**-**	(4.0)	(4.4)
Underlying (loss) / earnings per share - basic	**0.0**	(1.8)	0.4
Underlying earnings per share - diluted - continuing operations	**0.0**	2.2	4.9
Underlying (loss) / earnings per share - diluted - discontinued operations	**-**	(4.0)	(4.4)
Underlying (loss) / earnings per share - diluted	**0.0**	(1.8)	0.4

10 Dividends paid and proposed

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

As outlined in the annual report 2020 the Directors are not proposing an interim dividend for 2020/21.

11 Intangible assets

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

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Net book value at the start of the period	**22,880**	24,144	24,144
Additions	**80**	16	19
Acquisitions through business combinations	**-**	-	16
Disposals of business	**-**	-	(13)
Amortisation	**(144)**	(105)	(172)
Impairment of Aerospace goodwill	**-**	-	(1,405)
Effect of movements in foreign exchange	**47**	745	291
Net book value at the end of the period	**22,863**	24,800	22,880

Included within intangible assets is goodwill of £22.0 million (30 September 2019 - £23.8 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 2020, the carrying value of goodwill was supported by fair value less costs of disposal calculations. There has been no indication of subsequent impairment in the current financial year.

Intangible assets also include customer-related intangibles of £0.3 million (30 September 2019 - £0.4 million) and computer software of £0.5 million (30 September 2019 - £0.6 million).

Notes to the accounts continued

12 Property, plant and equipment

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

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Net book value at the start of the period	**40,395**	48,236	48,164
Additions	**2,701**	6,179	12,089
Acquisitions through business combinations	**-**	-	307
Depreciation	**(2,903)**	(3,167)	(6,765)
Disposals	**-**	(2,461)	(2,173)
Disposal of business	**-**	-	(10,087)
Impairment LED Technologies	**-**	-	(1,501)
Transfers to assets held for sale (see Note 12)	**-**	(10,921)	-
Effect of movements in foreign exchange	**(66)**	967	361
Net book value at the end of the period	**40,127**	38,833	40,395

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

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Net book value at the start of the period	**5,118**	7,139	7,139
Depreciation	**(741)**	(842)	(2,352)
Additions	**377**	633	2,660
Disposals	**-**	(861)	(2,329)
Transfers to assets held for sale (see Note 13)	**-**	(1,164)	-
Net book value at the end of the period	4,754	4,905	5,118

13 Assets held for sale

At 30 September 2019 assets held for sale related to the LED Technologies segment which was disposed of on 20 December 2019.

14 Discontinued operations

The LED Technologies segment is presented as a discontinued operation in the comparative periods.

No asset has been recognised for potential post balance sheet proceeds arising from the administration of Wipac Ltd, which was part of the disposed discontinued operations. Any such proceeds may be used to reduce the outstanding balance of the Group’s debt facility. Management's best estimate of the contingent asset in respect of these potential proceeds is £1.0 million.

15 Retirement benefit obligations

At 31 March 2020 the Group had a retirement benefit liability, as calculated under the provisions of IAS 19 “Employee Benefits”, of £37.6 million. Since the start of the current financial year, positive asset returns of £10.2 million plus Group contributions of £1.1 million offset by £4.4 million of benefit payments, has resulted in the scheme's assets increasing in value by £6.9 million from £172.8 million to £179.7 million. However, the impact of a decrease in the discount rate used to evaluate the scheme's liabilities from 2.30% per annum at the start of the period to 1.50% per annum at the end of the period, together with the impact of a 0.3% per annum increase in the inflation rate and the impact of the interest expense arising on the liabilities, offset by the benefit payments has resulted in the value of the liabilities increasing by £27.4 million from £210.4 million to £237.8 million. As a consequence the Scheme, on an IAS 19 basis, has increased from a £37.6 million net liability at 31 March 2020 to a £58.1 million net liability at 30 September 2020.

Administration costs of £0.9 million, including £0.3 million presented as exceptional costs, have been charged against other operating expenses during the period (H1 2020 - £0.3 million, including £0.1 million presented as exceptional costs). Net interest costs of £0.4 million have been recognised within finance expense during the period (H1 2020 - £0.6 million).

Remeasurement losses of £20.7 million have been recognised within other comprehensive income during the period (H1 2020 - £2.5 million).

16 Cash generated from operations

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
(Loss) / profit for the year - continuing operations	**(1,321)**	(344)	(1,900)
(Loss) / profit for the year - discontinued operations	**-**	(5,747)	(9,509)
	(1,321)	(6,091)	(11,409)
Adjustments for:			
Pension scheme contributions before deduction of administration costs	**(1,350)**	(777)	(1,551)
Pension scheme administration costs recognised in income but paid by the scheme	**812**		
Depreciation charge	**2,903**	3,167	6,765
Amortisation of intangible assets	**144**	105	172
Exceptional tangible fixed asset write down, arising on rationalisation of business	**-**	1,501	1,501
Exceptional impairment of intangible assets, arising on rationalisation of business	**-**	-	1,405
Loss on business disposal	**-**	-	2,962
Profit on disposal of other plant and equipment	**-**	(24)	(327)
Loss on disposal of intangible assets	**-**	-	13
Loss on disposal of Investments	**-**	-	7
Cash flow relating to provision for site closure costs	**(5)**	(74)	(310)
Share based payment charge	**93**	90	76
Financial income	**(57)**	(57)	(104)
Financial expense	**1,149**	1,441	2,690
Taxation	**456**	702	1,449
Operating cash flow before changes in working capital	**2,824**	(17)	3,339
Changes in working capital (excluding the effects of acquisitions of subsidiaries)			
(Increase) / decrease in inventories	**233**	(1,087)	(653)
Decrease / (increase) in contract assets	**(2,095)**	16,322	16,942
(Increase) / decrease in trade and other receivables	**107**	(1,691)	2,531
Increase / (decrease) in trade and other payables	**(3,195)**	734	(367)
Increase in contract liabilities	**2,696**	374	11
Cash generated from operations	**570**	14,635	21,803

17 Cash and cash equivalents

	As at 30 September 2020 £000	As at 30 September 2019 £000	As at 31 March 2020 £000
Cash and cash deposits	**23,379**	20,493	19,309
Bank overdrafts	**(10,672)**	(16,633)	(10,957)
	12,707	3,860	8,352

Notes to the accounts continued

18 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 2020 £000**	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Net increase in cash and cash equivalents	**4,508**	10,638	15,450
Net drawings of term loans, other loans and government support loans	**(6,663)**	5	9
Repayment of lease liabilities	**905**	2,334	462
Disposal of business	**-**	-	1,481
	(1,250)	12,977	17,402
Effect of exchange rate fluctuations on net debt	**(751)**	(516)	(609)
	(2,001)	12,461	16,793
Net debt at start of period	**(27,357)**	(44,150)	(44,150)
Net debt at end of period	**(29,358)**	(31,689)	(27,357)

Net debt comprises:

	As at 30 September 2020 £000	As at 30 September 2019 £000	As at 31 March 2020 £000
Cash and cash deposits	**23,379**	20,493	19,309
Bank overdrafts	**(10,672)**	(16,633)	(10,957)
Bank loans	**(34,504)**	(30,597)	(30,442)
Government COVID-19 support loans	**(2,589)**	-	-
Other loans	**(29)**	(21)	(17)
Lease liabilities	**(4,943)**	(4,931)	(5,250)
Net debt	**(29,358)**	(31,689)	(27,357)

On 14 August 2020 the Group concluded a restructuring with the Company's bank, HSBC. The debt facilities now available to the Group comprise a term loan of £34.5m, of which £3.0m will be amortised by 30 September 2022 and a £3.5m revolving credit facility maturing on 31 July 2023.

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 2019, 31 March 2020 and 30 September 2020	**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.
There have been no changes in related parties in the period to 30 September 2020.

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 2020, remuneration to current and former directors amounted to £0.350 million (six months ended 30 September 2019 - £0.544 million).

Group pension scheme

A third-party professional firm is engaged to administer the Group pension scheme. The associated investment costs are borne by the scheme in full. It has been agreed with the trustees of the scheme that, under the terms of the recovery plan, the scheme would bear its own administration costs.
Administration costs of £0.8 million, including £0.3 million presented as exceptional costs, have been charged against other operating expenses during the period (H1 2020 - £0.3 million, including £0.1 million presented as exceptional costs.)

The total of deficit reduction contributions and administration costs paid during the period were £1.4 million (H1 2020 - £0.8 million).

22. Post balance sheet events

On 19 November 2020 £0.5m of proceeds from the Administrators of Wipac Ltd was received by the Group's lending bank and used to reduce the drawn balance on the Group's debt facility. This will be recognised by the Group as an exceptional profit on disposal of discontinued operations during the second half of the financial year. At 30 September 2020, Management's best estimate of the contingent asset in respect of these proceeds is £1.0 million (see note 14) and this post balance sheet event does not change this estimate.

On 20 November 2020 a further judgment in the Lloyds Banking Group GMP equalisation litigation was handed down. The judgment confirms that trustees of defined benefit pension schemes that provide Guaranteed Minimum Pensions (GMPs) are required to revisit and, where necessary, top-up historic cash equivalent transfer values (CETVs) that have been calculated on an unequalised basis. The Group will work with the Trustees of the Scheme to identify the data needed to quantify the impact of this latest ruling on (a) the funding requirements of the Scheme and (b) the Group’s financial statements.

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 for the period ended 30 September 2020

Introduction

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 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the condensed set of financial statements.

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 half-yearly financial 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 half-yearly financial report in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union 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 condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the 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 condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Mazars LLP

Chartered Accountants

26 November 2020

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 half-yearly financial 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.