

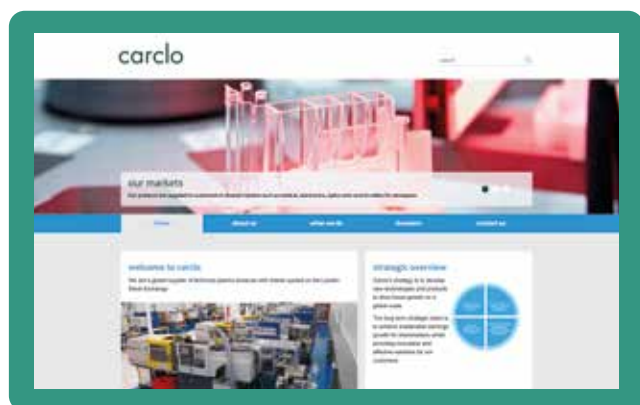
The background of the cover is a photograph of an industrial manufacturing process, likely injection molding. It shows a series of white plastic parts being produced on a machine. A green diagonal band runs from the top left towards the bottom right, partially obscuring the background image. The text is positioned on the white area to the left of this band.

carclo

**CARCLO PLC
ANNUAL REPORT
AND ACCOUNTS 2020**

Our purpose

To be a global provider of value-adding engineered solutions for the medical, optical, electronics and aerospace industries.



Find us online at
www.carclo.co.uk

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OUR HIGHLIGHTS

Revenue from continuing operations
(£m)

£110.5m

2019:
£105.3m

Underlying operating profit¹
(£m)

£7.3m

2019:
£6.4m

Underlying earnings per share
(p)

4.9p

2019:
2.1p

Statutory operating profit
(£m)

£1.8m

2019:
£1.9m

Net debt²
(£m)

£27.4m

2019:
£38.5m

1. Underlying operating profit is defined as operating profit from continuing operations before all exceptional items. A reconciliation to statutory figures is given on page 134.
2. 2019 net debt is stated before the adoption of IFRS 16 Leases.

- Revenue from continuing operations increased by 4.9% to £110.5 million (2019: £105.3 million).
- Underlying operating profit from continuing operations increased by £0.9 million to £7.3 million.
- Statutory operating profit from continuing operations was £1.8 million (2019: £1.9 million) with statutory loss before tax from continuing operations being £0.5 million (2019: £0.0 million).
- Successfully concluded exit of the loss-making LED division, reducing net debt and the pension deficit by £5.5 million and £3.5 million respectively.
- Concluded a new three-year funding arrangement with the Company's main creditors, HSBC and the pension scheme, to secure the continued support of those parties through to July 2023.

Forward-looking statements

Certain statements made in this annual report and 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

Alternative performance measures are defined in the glossary on page 136. A reconciliation to statutory figures is included on page 134. 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.

AT A GLANCE

Carclo plc is a global manufacturer, principally of fine tolerance injection moulded plastic parts for the medical, electronics, optics and automotive safety markets.

What we do

Our divisions

Technical Plastics division

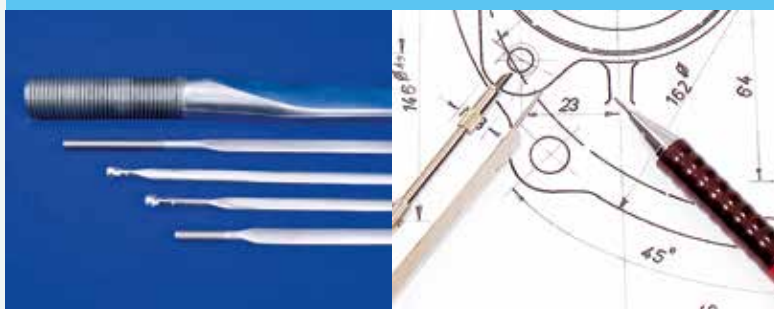
Carclo Technical Plastics is a leading global manufacturer of fine tolerance injection moulded plastic parts for the medical, electronics, optics and automotive safety markets.



www.carclo-ctp.co.uk

Aerospace division

The Aerospace division is a market leader in cable assemblies and specialist machined parts to European commercial and military aerospace markets.



www.bruntons.co.uk

www.jacottet-industrie.com

Where we operate

Global locations

Our business operates across three different continents to provide local support to our global customers.

Bruntons Aero Products Ltd,
Musselburgh, Scotland, UK



Carclo Technical Plastics Ltd,
Mitcham, UK



Carclo Technical Plastics Ltd,
Aylesbury, UK



Jacottet Industrie SAS,
Chartres, France



Carclo Technical Plastics -
Brno, s.r.o., Brno, Czech Republic



CTP Carrera Inc.,
Tucson, Arizona, USA



CTP Carrera Inc.,
Latrobe, Pennsylvania, USA



CTP Carrera Inc.,
Export, Pennsylvania, USA



CTP Carrera Inc.,
Derry, New Hampshire, USA



Carclo Technical Plastics Pvt Ltd,
Bangalore, India



CTP Taicang Co Ltd,
Taicang P.R. China



Our markets

MEDICAL

Carclo's continued growth in diagnostics, respiratory, ostomy, ophthalmic, women's healthcare, blood management and surgical products will continue to fuel investment in equipment and facilities. Harmonisation of management systems and manufacturing methods continue to advance Carclo's technical capabilities to support the industrialisation of medical markets. Carclo's technical offering and strategic footprint aligns well with increasing global demand in clinical chemistry, diagnostic disposables, and blood management with leading OEMs.



OPTICS

Carclo is a specialist in the design, development, and manufacture of bespoke injection moulded optical components and assembled devices across a wide range of applications. Following the disposal of the premium automotive LED Technologies activities, Carclo maintains its niche position in the LED lighting markets providing energy savings and performance solutions in the areas of architectural lighting, street lighting, automotive, and aerospace. Carclo carries its own proprietary line of optics for LED applications in addition to standard and custom designed electro optics such as Fresnel lenses, light guides, guidance systems, and CCTV security domes.



ELECTRONICS/CONSUMER

Electronics and consumer products not only have been a founding cornerstone but also remain a strong segment of our business. Decreasing size of electronic components and increasing cost pressures on consumer products has fuelled growth in low cost regions and increased capabilities across a range of high precision gears, connectors, fire and safety applications, packaging, as well as dispensing equipment applications.



CONTROL CABLES

Success in the stringent aerospace and defence markets demands a regime where the most exacting production quality standards attainable are imposed.

Bruntons and Jacottet manufacture aircraft mechanical control cables, specialised machined components, mechanical assemblies, aerofoil sections, streamline wires and tie rods and have over a century of experience in the aviation industry.



CHAIRMAN'S STATEMENT



Joe Oatley
Non-Executive Chairman

//

Following the completion of a medium-term financing agreement, Carclo now has a more stable platform from which to develop the business."

The year to 31 March 2020 was one of both significant change and considerable challenge for the Group. Despite this, I am pleased to report the continuing businesses performed strongly, with both the Carclo Technical Plastics division ("CTP") and the Aerospace division ("Aerospace") seeing year-on-year improvements in underlying operating profits.

Group underlying operating profit from continuing operations was 14.4% higher at £7.3 million (2019: £6.4 million) with basic underlying earnings per share from continuing operations 133.3% higher at 4.9 pence (2019: 2.1 pence). Statutory basic loss per share was 15.5 pence (2019: 25.4 pence loss). The Group's net debt including IFRS 16 lease liabilities decreased £11.1 million to £27.4 million (2019: £38.5 million) driven by both positive operational cash generation from the two continuing businesses and realisation of value from the assets of the exited LED division.

Whilst it was disappointing that we were unable to return the LED division to a position of profitability and cash generation, we were pleased to have successfully concluded the transactions to exit the businesses within this division during the year. As a result, key customer commitments were met and jobs were secured. £3.5 million from the net proceeds were paid to the Group's pension scheme and net debt was reduced by £5.5 million.

As announced on 17 August 2020, I am also pleased to reaffirm that we have concluded a new financing agreement with the Group's lending bank and its pension trustees which provides lending facilities through to 31 July 2023 alongside a schedule of agreed pension deficit reduction contributions for the same period. Nonetheless, the scale of the defined benefit pension scheme liability remains a significant issue for the Group, with an actuarial valuation of the technical provisions deficit as at 31 March 2018 of £90.4 million (31 March 2015: £46.1 million). Alongside a focus on operational efficiency and growth from the medical diagnostics sector, reducing the scale of the Group's pension deficit over time is a key element of our value creation strategy.

COVID-19

Faced with the COVID-19 pandemic, the Group's primary focus has been to ensure the wellbeing of staff and the continued safe operation of its businesses. All applicable government advice has been followed across the different countries in which the Group operates, and safe working practices have been adopted.

Pleasingly, it has been possible to keep most sites operational through the lockdown period, enabling the Group to continue to serve its customers, many of whom operate in essential industries, particularly the medical diagnostics sector.

Management has taken a number of actions to mitigate the impact on the Group, including accessing government support programmes and controlling costs, details of which are discussed further in the Chief Executive's statement.

Dividend

Given the financial performance and position of the Group, coupled with restrictions on the payment of dividends contained within the refinancing agreement and the lack of distributable reserves, the Board is not recommending the payment of a dividend for the 2020 financial year (2019: £nil).

Governance

Since joining the Board in 2018, I have observed the Board's focus on maintaining a strong corporate governance framework and culture throughout the Group. The Board is fully supportive of the principles laid down in the UK Corporate Governance Code and continues to review its systems, policies and procedures that support the Group's sustainability and governance practices.

Board changes

There were a number of changes to the Board in the year.

Antony Collins joined the Board as Group Chief Executive from 1 October 2019. Antony had previously been fulfilling the role of Chief Restructuring Officer since joining the Group in May 2019. Mark Rollins, who served in an executive capacity prior to Antony's appointment, returned to his Non-Executive Chairman role from 1 October 2019.

Matt Durkin-Jones was appointed to the Board as Chief Financial Officer ("CFO") on 21 January 2020. Matt is a Chartered Management Accountant with extensive financial experience of manufacturing companies in Europe, Asia and North America.

Matt replaced Ed Watkinson, who fulfilled the CFO role on an interim basis following Sarah Matthews-DeMers' departure in October 2019. Ed left the Group on 9 January 2020 following the successful Wipac exit.

Mark Rollins stepped down from his role as Non-Executive Chairman and as Director of the Board on 24 March 2020. Mark had been Chairman of the Company since 2018 and on behalf of the Board, I would like to thank Mark for his dedicated service over the last two years. Mark had shown strong leadership in a difficult time and made a valuable contribution to the Group.

I assumed the role of Non-Executive Chairman on 27 April 2020 on an interim basis whilst the Board carried out a search for a long-term Chairman. I am delighted to welcome Nick Sanders to the Board as Chairman-elect, with the intention that he will take over the Chairman role from me after this year's Annual General Meeting.

Change of auditor

Following a competitive audit tender process, the Group appointed Mazars LLP as its external auditor in April 2020, following KPMG LLP's resignation in March 2020.

Employees

On behalf of the Board I would like to thank all employees for their commitment during what was a challenging and uncertain year. Our employees play a critical role in the Group's success and we recognise that this will be particularly so in meeting the challenges ahead. In addition, the Board fully recognises the hard work and commitment of Wipac's employees, operating in often difficult circumstances during the year.

Outlook

Following the exit of the loss-making LED business and the completion of a medium-term financing agreement with the Group's lending bank and its pension trustees, Carclo now has a more stable platform from which to develop the business. The Group has significantly reduced its net debt position, enhanced by the successful exit of Wipac, as well as making a significant contribution to reduce the Company's pension deficit.

The near-term performance of the Group is uncertain as the impact of the COVID-19 pandemic on the business in the current financial year remains difficult to forecast. However, the medium and longer-term prospects for CTP remain robust, with the business having a strong position in the medical diagnostics market, which benefits from both near-term and long-term positive growth characteristics.

As announced on 17 August 2020, the CTP business has been successful in securing a number of new tooling orders for the medical diagnostics sector after year end which both provides additional resilience for the near term and the opportunity for significant growth in future years. The medium-term prospects of the Aerospace business are more difficult to ascertain, being dependent on the pace of recovery in the commercial aerospace market.

The Board believes that the operating businesses within the Group have attractive long-term growth prospects and the capability to generate improved returns over time. Nonetheless, the Group has a substantial pension deficit and relatively high net debt. Reducing the scale of the defined benefit pension deficit over time is an important element of translating the performance of the operating businesses into value creation for shareholders and, alongside driving operational excellence and growth in the medical diagnostics market, is a key focus for the business moving forward.



Joe Oatley
Non-Executive Chairman
24 August 2020



CHIEF EXECUTIVE OFFICER'S REVIEW



Antony Collins
Chief Executive Officer



Having established greater comfort and certainty on the Group's financial position, the priority is to deliver an improved financial performance over the long term through a focus on growth and operational excellence."

I was delighted to join the Carclo Board as Chief Executive Officer in October 2019 following my appointment as Chief Restructuring Officer in May.

I am particularly pleased that we were able to conclude the successful exit of the two Wipac businesses. The challenges faced by the business were substantial and the process to conclude an effective exit consumed considerable management time and attention, in addition to the large financial losses incurred by Wipac.

Despite a challenging year for the Group as a whole, it was pleasing to see that both of the continuing operating businesses performed well and were unaffected by the Wipac issues. Both the CTP and Aerospace divisions made demonstrable progress in the year. The businesses are well-managed and have remained profitable and cash generative in the reporting period. Their resilient performance during a period of major restructuring for Carclo provides encouragement for the longer-term prospects of the Group.

I am pleased to have been joined on the Board by Matt Durkin-Jones who took up the position of CFO in January 2020. Matt has extensive experience of international manufacturing companies and adds the required financial acumen and stability to the executive team as we move forward.

Financial performance

Group revenue from continuing operations increased by 4.9% to £110.5 million (2019: £105.3 million), underpinned by strong divisional performances from CTP and Aerospace. As one of our KPIs, this is very encouraging. Revenue including discontinued operations increased £1.4 million to £146.3 million (2019: £144.9 million).

Underlying operating profit margin from continuing operations increased to 6.6% (2019: 6.1%) as the business started to realise the benefits of operational improvement initiatives. Underlying earnings before interest, taxation, depreciation and amortisation from continuing operations increased to £13.4 million (2019: £10.9 million) which includes a positive impact of the adoption of IFRS 16 Leases of £1.7 million. Underlying operating profit from continuing operations increased 14.4% to £7.3 million (2019: £6.4 million). Return on capital employed increased from 2.0% to 10.1%.

Statutory operating loss including discontinued operations was £4.4 million (2019: £12.6 million loss) with statutory loss before tax and loss on disposal of discontinued operations of £7.0 million (2019: £14.7 million loss).

Refinancing and pension deficit

I am pleased to report that on 14 August 2020 we concluded a restructuring with the Company's main creditors, HSBC and the pension scheme, to secure the continued support of those parties through to July 2023.

The new HSBC facilities comprise a term loan of £34.5 million and a revolving credit facility of £3.5 million. In parallel to this we reached agreement with the Trustees of the defined benefit pension scheme in respect of an increased level of contributions to the deficit recovery plan.

The pension deficit recovery plan comprises contributions of the following amounts over the next three years: £2.8 million (2021), £3.9 million (2022) and £3.8 million (2023). This agreement also concludes the outstanding 2018 triennial valuation. The actuarial valuation of the technical provisions deficit as at 31 March 2018 was £90.4 million (31 March 2015: £46.1 million). The next triennial valuation will be carried out as at 31 March 2021, with an expectation that the valuation and corresponding schedule of contributions will be agreed between the Company and the pension trustees before 30 June 2022. This will not change the agreed contributions up to July 2023.

COVID-19

As many of the Group's sites supply critical sectors, we have been able to continue operations with limited impact on production. We have experienced mandatory closures in India due to government regulations and brief closures in France and Scotland. Group revenue for the continuing businesses for the first quarter of the year to 31 March 2021 was 12% lower than the same period in the previous year.

We are actively monitoring the COVID-19 outbreak in line with local and national authorities, public health bodies and WHO guidelines and will continue to modify our procedures and working practices accordingly.

Notwithstanding relatively stable overall activity levels in the CTP business as increased demand for COVID-19 related products partially offset a reduction in demand for routine medical products, governmental guidance on social distancing and temporary shutdowns have had an impact on operational efficiency which inevitably affects profitability. The Group's Aerospace division is witnessing a significant reduction in customers' aircraft newbuild programmes and with much of the European aircraft fleet having been grounded since March 2020, demand for both newbuild and spares has been negatively affected.

The Group has accessed government support programmes where available, including the Coronavirus Job Retention Scheme and HMRC payment deferrals in the UK, and tax relief in China. In addition, on 17 April 2020, CTP Carrera Inc. in the USA received a loan of \$2.9 million under the Paycheck Protection Program, which was used to make payroll payments to its US workforce. We have also taken action to reduce costs where possible in both divisional and central areas. The Group remains focused on ensuring operational continuity where it can; however, it remains very difficult to predict how the ongoing crisis will affect performance going forward.

The refinancing agreed with HSBC provides an additional £3 million headroom which will assist the Group's efforts to manage through the near-term uncertainty presented by COVID-19.

Strategy

Having established greater comfort and certainty on the Group's financial position, the priority is to deliver an improved financial performance over the long term through a focus on growth and operational excellence. The Group delivers its products into highly regulated, safety critical markets where quality and performance are of paramount importance. Through a focus on operational excellence and by forging deep, long-term customer relationships we aim to be the supplier of choice for precision components into these markets.

The Group has a strong position in the medical market, which exhibits robust structural growth characteristics, and whose importance has been reinforced by the recent pandemic. Our strategy is to continue to focus on our core markets, in particular medical diagnostics, building on the strengths of the CTP business to deliver above-market growth rates. The combination of higher utilisation as new volume comes on stream and improved efficiency through our focus on operational excellence will drive increased margins and enhance the Group's return on invested capital.

The Group operates a devolved management structure, ensuring that key day-to-day decision making is done close to our customers and operations. This devolved structure also enables the Group to operate with a lean overhead base. Nonetheless, as part of our programme of continuous improvement we are actively managing both central and divisional overheads, particularly as we experience the impact of COVID-19.

The CTP and Aerospace businesses are now focused on both enhancing operational efficiency and improving return on invested capital. New capital commitments are closely evaluated to ensure that they are accretive to overall Group return on capital and have a cash payback within an appropriate timescale.



CHIEF EXECUTIVE OFFICER'S REVIEW continued

Health, safety and environment

A comprehensive health and safety policy is in place to ensure a safe working environment at all times with a plan to ensure that all facilities in all countries meet the requirements of the most exacting location.

We were pleased to see a further improvement in the health and safety performance of both continuing divisions. There was a 35% reduction in incidents during the year. This was achieved through continuous communication of the policy at all levels through the Group and active participation of employee health & safety committees. Our aim is to continue to drive down health and safety incidents. Our Lost Time Frequency rate shows a year-on-year reduction for the last three years (see KPIs on page 14).

People

I am extremely grateful for the hard work and commitment of our employees during such a challenging and uncertain year. I am especially proud that the challenges presented by COVID-19 have been met with dedication and creativity, particularly by our employees in China who were first affected by the outbreak.

The restructuring and ultimate exit of the Wipac business was a long and difficult process for all involved, many of whom made significant sacrifices to ensure a successful outcome. In addition, it was a very unsettling time for those in the Wipac business and I would like to thank them for their commitment in supporting the business and its customers. I wish them success in their new organisation.

We have highly talented people and their continued support will be critical as we execute our strategy. We are taking steps to introduce a shared set of core values during the year to ensure a consistent approach and measurement of success across all our operating companies.

Divisional review

Carclo Technical Plastics

Carclo Technical Plastics is a leading global manufacturer of fine tolerance injection moulded plastic parts for the medical, electronics, optics and automotive safety markets.

Divisional revenue increased by 4.5% in the year to £103.1 million (2019: £98.6 million), largely driven by increased volume as the business continued to secure a number of new programmes in its core medical market. The division acquired the business and certain assets of the Optics business on 20 December 2019 from the administrator of the Wipac business for a sum of £0.25 million. Historical comparators have been restated to include the Optics business. Overall demand for medical testing parts was stable through the year, albeit in Q4 the business saw a significant increase for products associated with COVID-19 testing, offset by a reduction in demand for non-COVID related testing kits which fell as routine medical procedures were affected by the global pandemic.

All of the division's sites made considerable operational and commercial progress during the year. As a result, underlying operating profit increased significantly to £9.3 million (2019: £8.1 million) as the business began to realise the benefits from its continuous improvement activities together with a change in the mix toward higher margin contracts.

Our US operation performed strongly during the year and the business invested in additional technology to enhance automation and capability to service new customers in its core growth sectors. There has been a significant investment in employee welfare, training and education and whilst labour turnover remains high, it has stabilised compared to the previous year.

The UK business performed well in the first half of the year as it increased output of its drug delivery product and commissioned a new fully automated production line for disposable medical testing parts. The business successfully implemented intelligent process monitoring on a dedicated pharma cell producing insulin pens as part of our operational improvement programme. This initiative has increased automation and introduced predictive quality monitoring to reduce wastage and improve production yields. In the final quarter of the year, the UK operation successfully integrated the newly acquired Optics business.

Our facility in India continued to perform well as the business focused on a more attractive mix of contracts. As reported at the half year, CTP India, whose largest customer makes ATM machines for the global market, saw a marked increase in its market share and benefited from its key customer's newest product ramping up in volume. The business was successful in gaining the BSI accreditation to the international standard ISO 13485:2016 for medical applications. The accreditation opens the door to the medical supply market and led to the award of the business' first medical account in India with a major disposable diagnostics OEM. Following local government regulations related to COVID-19, the plant in India experienced a month-long closure from the end of March and reduced production in April and May.

Our Chinese facility had a notable year, winning new business with a key target customer and commencing production of a new disposable medical diagnostic part for a new multinational OEM customer, alongside a focus on lean activities and continuous improvement projects that led to substantial inventory reductions. The impact of COVID-19 was effectively managed by the team in China with minimal short-term impact on the business. The workforce showed tremendous dedication and ownership in getting the facility back to full production as quickly as possible. Our early experience of COVID-19 in China has assisted our other sites in developing effective protocols to help mitigate the risk of transmission.

As previously reported at the half year, activity in the Group's Czech site was impacted by the loss of volume from a major industrial customer following its decision to discontinue a key product. This reduction had been anticipated with the facility footprint reduced in the period, mitigating the effect of the revenue loss on the operation's profitability. As a result, the business performed well in the year with the cost reduction from this consolidation of its operations and a ramping up in production of new business offsetting the volume decline. The Optics business, which performed in line with expectations in the first half of the financial year, has been significantly impacted by the COVID-19 outbreak.

The facilities in China, India and the Czech Republic all successfully achieved ISO 45001 certification. This standard seeks to achieve a reduction in occupational injuries and diseases, including promoting and protecting physical and mental health. Programmes to achieve the same accreditation in the UK and US facilities were halted due to COVID-19 and will be completed in the 2020/21 financial year.

The business sees good opportunities for continued growth in its core medical markets and margin enhancement as it continues to pursue its strategy of operational improvement. As announced on 17 August 2020, the CTP business has been successful in securing a number of new tooling orders for the medical diagnostics sector after year end which provides both additional resilience for the near term and the opportunity for significant growth in future years.

Aerospace

The Aerospace division is a market leader in cable assemblies and specialist machined parts to European commercial and military aerospace markets.

The business operates facilities in the UK and France under the established and respected brands of Bruntons and Jacottet.

Divisional revenue increased by £0.7 million to £7.5 million (2019: £6.7 million) due to a healthy level of spares orders, increasing Airbus build-rates in the first half, and some market share gains for machined parts in the UK. Underlying operating profit increased 27% to £1.7 million (2019: £1.3 million), as a result of a positive shift in product mix, in particular high spares volumes, combined with tight cost control.

This business was strongly cash generative, with ongoing investment requirements more than funded by the business itself.

The COVID-19 pandemic is expected to continue to impact the business in the near term as the airline industry experiences significant schedule disruption worldwide and aerospace customers significantly cut their aircraft newbuild programmes. The longer-term structural impact of the pandemic and thus prospects for the aerospace industry are particularly difficult to predict. As a result of this uncertainty, a full £1.4 million impairment of the remaining Aerospace goodwill has been recognised during the period.

Antony Collins
Chief Executive Officer

24 August 2020



BUSINESS MODEL & STRATEGY

The Group is focused on delivering sustainable growth in earnings by focusing on being the supplier of choice in our core markets.

Our resources & relationships

PEOPLE

We aim to be the employer of choice in our sector and locations. Our engaged and skilled workforce is focused on delivering the best solutions for our customers through innovation, customer collaboration and quality.

CAPITAL

We operate within a disciplined capital allocation framework that allows us to invest in growth and productivity enhancement whilst meeting our obligations to the external stakeholders.

RELATIONSHIPS

We build and maintain close long-term relationships with customers, suppliers and other stakeholders; centred on trust and collaboration.

SUPPLY CHAIN

We have developed long-standing relationships with key partners in our supply chain, which is a key element of delivering on-time quality products to our customers.

ASSETS

We focus on enhancing operational efficiency and return on invested capital. We ensure investment in new assets is accretive to overall Group return on capital.

EXPERTISE

Our people are experts in their fields. From innovation to operations and product stewardship we have experts who enable us to deliver unique and superior products to our customers.

Operating model



We achieve this through our technical capability, married to operational excellence, which enables us to consistently deliver high quality products to, and build deep relationships with, our customers.

COMPETITIVE ADVANTAGE

CUSTOMER SATISFACTION

Our customers have selected us over our competitors, and we recognise that this decision is based on their faith in our ability to meet or exceed their expectations. Each of our businesses monitor key aspects of our customer performance and this is continually fed back to our employees.

OPERATIONAL EXCELLENCE

We meet our customers' expectations through a focus on operational excellence which enables us to deliver high quality products, on time at a competitive price whilst achieving a return on investment above our hurdle rate.

RESPONSIVE CULTURE

We operate with a flat and decentralised management structure in order to make fast and responsive decisions to the benefit of our customers, employees and ultimately for the Group as a whole. We expect our management teams to operate in an entrepreneurial manner and reward them appropriately. This devolved structure also enables the Group to operate with a lean overhead structure.

GLOBAL FOOTPRINT

Our business operates across three different continents to provide local support to our global customers. We ensure that we operate ethically in all of our locations, respecting local regulations, and we develop a culture of best practice in operational management, customer responsiveness as well as ensuring that our approach to health and safety is consistent in all of our operations.

Value creation

SHAREHOLDERS

The Group will create value for shareholders by generating sustainable earnings and positive cash flow in excess of the requirements of other external financial stakeholders. Over time the Group will rebuild the strength of its balance sheet to enable investment for future growth.

EMPLOYEES

Creating and maintaining rewarding careers for our total global workforce of c.1,000 is critical for the delivery of our strategy.

CUSTOMERS

We provide critical components to our customers who operate in demanding, highly regulated markets. The quality of our products enables our customers to provide value-added solutions in safety-critical environments.

SUPPLIERS

We value our supplier relationships and take a long-term strategic approach to mutual value creation.

PENSION

The Group provides funding to the pension fund which provides retirement benefits for past and present employees. Although the defined benefit schemes are closed, the Group takes its funding obligations seriously and works closely with the scheme trustees to ensure that the future commitments to scheme members are met.

DEBT PROVIDERS

The Group has a long-standing relationship with its lending bank. The bank provides funds that enable the Group to grow and create value for all stakeholders and in turn the Group seeks to deliver a return on invested funds to its lending bank.

OUR STAKEHOLDERS

The Directors understand their responsibilities to promote the success of the Company in accordance with Section 172 of the Companies Act 2006.

Section 172

Our purpose at Carclo plc is to deliver high quality, precision components to our customers that enable them to provide solutions in highly regulated safety-critical environments. Our technology and products are relied upon by customers worldwide who trust us to deliver reliable, high quality, cost effective products that ultimately enhance lives of the end-users of the systems of which they form a part.

Effective engagement with our stakeholders is crucial to the delivery of our purpose and our strategy. The Directors understand their responsibilities to promote the success of the Company in accordance with Section 172 of the Companies Act 2006.

Section 172 of the Companies Act 2006 requires the Directors to have regard to a number of factors including taking into consideration the interests of stakeholders in their decision-making. Further information on how the Directors oversee stakeholder engagement and discharge their duties and responsibilities is included in the statement of corporate governance on pages 32 to 35.

Stakeholders	Material issues	How we engage
EMPLOYEES We recognise that having engaged, motivated employees with aligned values is key to the long-term success of the business. We seek to be the employer of choice in our sector and geographies in which we operate.	<ul style="list-style-type: none"> • Ensure our core values are embedded throughout the Group. • Create a positive working environment through a high performing culture. • Attract and retain a diverse range of talent and perspectives. • Ensure employees are engaged in their roles. • Effectively invest in personal development and career progression. 	<ul style="list-style-type: none"> • Site visits by the whole Board including sessions with a cross-section of employees enabling employees to engage directly with Board members. • Each of the Non-Executive Directors are responsible for employee engagement at different sites in the UK, and act as a conduit between the Board and employees. • The CEO and Divisional leadership hold regular "town hall" meetings with staff to discuss and communicate a range of issues. • All employees receive an induction, a Group overview presentation, and details of Carclo's policies and processes, health and safety and more.
SHAREHOLDERS Our strategy aims to deliver long-term returns to our shareholders. We recognise the importance of the support of our shareholders as the business makes progress on its restructuring and value-creation plan.	<ul style="list-style-type: none"> • Creation of shareholder value requires a successful delivery of our strategy. • Communication of progress on this strategy is important to ensure shareholders are appraised of the potential for return on investment. 	<ul style="list-style-type: none"> • The Chairman and CEO maintain regular contact with our key shareholders and report regularly to the Board. • The Company provides regular updates to the market via press releases and presentations following full-year and half-year results. • The Company utilises the regulatory news system to provide updates on relevant significant news to shareholders.

Stakeholders

CUSTOMERS

Our products enable our customers to deliver their solutions in highly regulated, safety-critical environments.

Material issues

- Ensure we meet or exceed our customers' requirements in all respects: quality; on-time delivery; value.
- Provide technical solutions that enable our customers' products to be competitive in their markets.
- Obtain feedback on where we are performing well and any areas where we can improve.

How we engage

- Continuous engagement by a range of employees in our divisions including divisional CEOs via face-to-face and telephone meetings, to discuss performance and future solutions.
- Measurement and monitoring of key operational KPIs at both business unit and Board level.

SUPPLIERS

Our suppliers enable us to deliver on our commitments responsibly and sustainably.

- Ensure high standards throughout our supply chain.
- Ensure compliance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing.
- Develop long-term partnerships that enable us to meet our customer commitments.

- Regular audits are carried out at key suppliers.
- Suppliers asked to agree to Carclo's policies on Modern Slavery and Human Trafficking, and Anti-Bribery & Corruption.
- New suppliers are audited before approval.

LENDING BANK

The Group's lending bank provides funds that enable the Company to invest and grow.

- Secure long-term financial support for the Group.
- Ensure that the lending bank is appraised of progress on the Group's value-creation strategy.

- The CEO and CFO work closely with the lending bank.
- The Group provides information relating to Group performance and progress on strategy delivery to the bank on a regular basis.

PENSION

The Company provides deficit repair contributions to the Group pension fund which in turn provides retirement benefits for past and current employees of the now-closed defined benefit pension scheme.

- Achieving an agreed schedule of deficit repair contributions that balances the needs of the scheme and the needs of the business to invest.
- Ensuring that the scheme assets and liabilities are managed appropriately.

- The CEO and CFO work closely with the pension trustees.
- The Group provides information relating to Group performance and progress on strategy delivery to the pension trustees on a regular basis.
- The Group is working closely with the pension trustees to deliver the optimal long-term funding and management solution.

LOCAL COMMUNITIES

We believe that business should be a force for good in the communities in which we operate. We aim to support and inspire our employees to make a difference in their communities.

- Understand how we can contribute positively and sustainably to our local communities.

- The responsibility for community engagement is devolved to the local business units.

KEY PERFORMANCE INDICATORS

To enable our performance to be tracked against our organic growth strategy, we have determined that the following key performance indicators ("KPIs") should be focused on.

Financial KPIs

Revenue from continuing operations (£m)

£110.5m

▲4.9%

2020	110.5
2019	105.3
2018	104.7
2017	103.2
2016	86.5

Definition and method of calculation

Revenue from continuing operations (comparative years have been restated to remove discontinued operations and so to present continuing operations on a like for like basis).

Explanation of importance

Helps to monitor our success in growing the business.

Underlying operating profit from continuing operations (£m)

£7.3m

▲14.1%

2020	7.3
2019	6.4
2018	6.2
2017	8.2
2016	6.3

Definition and method of calculation

Operating profit before exceptional items from continuing operations (comparative years have been restated to remove discontinued operations and so to present continuing operations on a like for like basis).

Explanation of importance

Helps to monitor our success in generating profits from our operations.

Impact of IFRS 16 Leases

Underlying operating profit from continuing operations during 2020 excluding the impact of IFRS 16 Leases was £7.1 million.

Net debt (£m)

£27.4m

▼28.8%

2020	27.4
2019	38.5
2018	31.5
2017	26.0
2016	24.8

Definition and method of calculation

Net debt is defined as interest bearing loans and borrowings (including lease liabilities) less cash at bank and in hand as at the balance sheet date.

Explanation of importance

Helps to appraise the Group's capital structure and liquidity.

Impact of IFRS 16 Leases

Net debt at 31 March 2020 excluding the impact of IFRS 16 Leases was £22.1 million.

Return on capital employed (%)

10.1%

2020	10.1
2019	2.0
2018	14.2
2017	19.9
2016	17.6

Definition and method of calculation

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 closing equity plus net debt.

Explanation of importance

Helps to monitor our success in generating profits from the capital employed in the business.

Impact of IFRS 16 Leases

Return on capital employed in 2020 excluding the impact of IFRS 16 Leases was 11.0%.

Non-financial KPI

Lost Time Injury Frequency Rate

4.7

2020	4.7
2019	6.9
2018	8.3

Definition and method of calculation

Lost Time Injury Frequency Rate measures the number of lost time injuries per 100,000 hours worked.

Explanation of importance

Helps to monitor our success in operating a safe working environment.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Board considers that it is paramount that the Group maintains the highest ethical and professional standards throughout all its undertakings.

Corporate social responsibility is a key tenet of operations and decision making. It understands the importance of ensuring that the business has a positive impact on employees, customers, suppliers and other stakeholders, which in turn supports the long-term performance and sustainability of the business.

Our philosophy is to embed the management of these areas into our business operations, both managing risk and delivering opportunities that can have a positive influence on our business.

During the year there have been no prosecutions, fines or enforcement action as a result of non-compliance with safety, health or environmental legislation.

Group Executive Committee

The Group Executive Committee, which is chaired by the Chief Executive Officer, drives the Group's actions in the fields of global social responsibility, health and safety, anti-bribery and corruption, environmental and climate change policies, charitable support, equality and human and labour rights, whistleblowing and supply chain labour standards.

Non-financial reporting

We comply with the new non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

The table below, and information to which it refers, is intended to help stakeholders understand our position on key non-financial matters.

Reporting requirement	Policies and standards which govern our approach	Risk management and additional information
Environmental matters	Environmental Policy	CSR report (page 16)
Employees	Ethical Policy Health and Safety Policy Equal Opportunities and Diversity and Inclusion Policy	CSR report (pages 16 and 17)
Human rights	Modern Slavery Statement Ethical Policy	CSR report (page 16)
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy Ethical Policy Whistleblowing Policy	CSR report (page 16) Statement of Corporate Governance (page 34)
Policy embedding, due diligence and outcomes		Principal risks and uncertainties (page 23)
Description of principal risks and impact of business activity		Principal risks and uncertainties (pages 24 and 25)
Description of the business model		Our business model and strategy (pages 10 and 11)
Non-financial KPIs		Key performance indicators (page 14)

CORPORATE SOCIAL RESPONSIBILITY REPORT continued

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them and on various financial and economic factors affecting the performance of the Group.

The Group regularly updates its employment policies and all employees are issued with a staff handbook to keep them up to date with information relating to their employment.

The Group operates, and is committed to, a global policy of equality that provides a working environment that maintains a culture of respect and reflects the diversity of our employees. It is committed to offering equal opportunities to all people regardless of their sex, nationality, ethnicity, language, age, status, sexual orientation, religion or disability.

We believe that all employees should be able to work safely in a healthy workplace without fear of any form of discrimination, bullying or harassment.

We believe that the Group should demonstrate a fair gender mix across all levels of our business. At 31 March 2020, 25.9% of our employees identified as female (2019: 29%). The proportion of women in senior management positions amounted to 19% (2019: 10%). The increase compared to 2019 is due to the disposal of the Wipac business within which there was a high weighting of employees who identify as male in senior management positions.

Our diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience and education.

We believe that the wide array of perspectives that result from such diversity promotes innovation and business success. We operate an equal opportunities policy and provide a healthy environment which will encourage good and productive working relationships within the organisation.

Development

We continue to invest in the development of all our employees, through both informal and formal routes. Assessment of individual training needs is a key element of the annual appraisal process.

We regularly recruit apprentices. Commitment to our apprenticeship programme continues globally with three interns and eight apprentices spread over four countries and a number of different disciplines.

Ethical Policy

Following the enactment of the Bribery Act 2010, we have codified our Ethical Policy confirming our commitment to not tolerating bribery, corruption or other unethical behaviour on the part of any of our businesses in any part of the world. Compliance with the Act has been a priority for the Group and the policy provides guidance and instruction to employees and training has been performed in all areas of the business to ensure that it is complied with.

Modern Slavery Act 2015

Carclo's Modern Slavery statement for the year ended 31 March 2020 can be found at www.carclo.co.uk.

Environmental Policy

It is the Group's policy to continually seek to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests whilst continuing to produce high quality products to its customers' requirements.

It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities.

It is the Group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers.

Regulatory authorities are consulted and informed at all appropriate times.

The Group continues to support long-term strategies to minimise, reuse and recycle packaging through its membership of Valpak, a not-for-profit organisation through which a large number of businesses work together to recover and recycle packaging.



Health and safety

A health and safety policy statement is in place to ensure a safe working environment at all times. The health and safety policy statement also demonstrates our responsibility to customers, suppliers and contractors and we maintain communication of the policy at all levels throughout the Group.

Global social responsibility

Carclo is a global company and we take seriously our responsibilities to maintain an ethical supply chain towards those communities in which we operate. With full control over our manufacturing facilities in low cost regions we commit to be a responsible supplier.

Community involvement

We encourage our businesses to support their local communities through charitable support and education initiatives and responsibility for this is devolved to local management.

We fully support the Indian government's Corporate Social Responsibility ("CSR") scheme via our facility in Bangalore. In recent years our CTP business has funded the planning, design and construction of a multi-use building in a local village, bio-toilets at three schools, classroom buildings and a dormitory building at a further two schools. This year we installed 40 solar LED street lights in the Jinkebachahalli Village. We funded the poles, lights and installation for the village, which operate from solar power so they are not dependent on local utilities.

During the COVID-19 pandemic, our CTP facility in Latrobe, USA, undertook a Battle of the Teams Food Drive, whereby teams competed to bring in food donations. In total the teams donated over 1,100 items to the Salvation Army's emergency pantry, which was much needed for Latrobe's Salvation Army, which during the challenging time of the pandemic had seen a large increase in the need for their services. CTP also made a donation of \$500 in support of the charity.

Charitable donations

Carclo employees participate in a variety of activities to support both local and national charities.

Some highlights from our year include:

- our Aerospace business supports its local training board which is run as a charity through EDETA. The charity provides for apprentice training mainly in the Lothians but also has some input into the borders and Fife regions of Scotland; and
- in China, our CTP business has agreed to provide a large donation to a local technical college to help establish a plastics programme.

We also make charitable donations in support of local communities. In the 2019-20 year, the Group donated £18k to charity (2018-19: £12k).

It is the Group's policy not to make political donations and no such donations were made in the year (2018-19: £nil).



CORPORATE SOCIAL RESPONSIBILITY REPORT continued

Greenhouse gas emissions and energy consumption

The Group is required to report its annual greenhouse gas ("GHG") emissions pursuant to the (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("Regulations"). The 2018 regulations, known as Streamlined Energy and Carbon Reporting, came into effect on 1 April 2019. We have collated data during the year to 31 March 2020 and are reporting emissions and energy consumption for this period to coincide with the Group's financial reporting period.

Greenhouse gas emissions

Year-on-year GHG emissions: location-based methodology

Emissions from:	2020	2019	Percentage change
Scope 1 (tCO ₂ e)	822	1,523	(46%)
Scope 2 (tCO ₂ e)	23,927	22,760	5%
Total (tCO ₂ e)	24,749	24,283	2%
Group revenue (£ million)	146.3	144.8	1%
Intensity ratio (tCO ₂ e per £1 million of revenue)	169.2	167.7	1%

Energy consumption

Carco consumed a total of 52,407 MWh of energy globally during 2019/20. The Company's chosen energy intensity measure is MWh of energy per £ million of revenue. The intensity measure is as follows:

$$\frac{\text{Total energy consumed } 52,407 \text{ MWh}}{\text{Total revenue } £146.3 \text{ million}} = 358.2 \text{ MWh/£ million of revenue}$$

Of the total energy consumed of 52.4GWh, 39.8% relates to sites in the UK. During the financial year, several measures were taken at a local level by the Group's various operational sites to lower energy consumption; the most effective measures related to the replacement of old machinery with newer, less energy demanding, machinery and replacing oil-based machinery with electricity-based machinery. In addition, across the Group there has been an increase in the use of LED lighting and management continues to monitor consumption and review business cases for opportunities to invest in lower consumption; primarily through investing in newer, more energy-efficient, machinery and the potential to utilise renewable energy sources on site where feasible.

Methodology and exclusions

We have reported on all the emission sources required under the (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement, other than those highlighted below.

This report is aligned with the GHG Protocol methodology. The GHG Protocol establishes comprehensive global standardised frameworks to measure and manage greenhouse gas ("GHG") emissions from private and public sector operations, value chains and mitigation actions. The framework has been in use since 2001, and forms a recognised structured format, to calculate a carbon footprint. DEFRA 2019 emissions factors have been utilised for UK sites and appropriate country-specific emissions factors have been utilised for overseas operations, using published emissions factors by the United States Environmental Protection Agency and the International Energy Agency.

Data has been collated from source documentation or, where this has been impracticable, using estimates. Calculations of emissions for the period have been made using third-party, specialist software and have undergone third-party quality assurance.

Pro-rata estimation techniques have been used for a few low-consumption sites where energy data was available for only part of the year. For USA sites, the electricity and gas invoices were available for the beginning and end months of the year and these have been used to calculate the annual consumption. For the Wipac Czech site and Great Slade site, both of which were disposed of during the year, consumption data was estimated based on last year's emissions as data was not available for 2019/20. In addition, for two sites (Units 23 and 25 Buckingham Industrial Estate) data was unavailable due to the sale of these sites; their energy consumption is not considered to have any material effect on the Group's emissions or energy consumption.

FINANCE REVIEW



Matt Durkin-Jones
Chief Financial Officer

Trading performance

Revenue from continuing operations increased by 4.9% to £110.5 million (2019: £105.3 million) with CTP up 4.5% and Aerospace up 10.9%. Revenue from discontinued operations was £35.8 million (2019: £39.5 million). Overall Group revenue increased by 1.0% to £146.3 million (2019: £144.9 million).

Underlying¹ operating profit from continuing operations increased to £7.3 million (2019: £6.4 million). This is a three-year increase trend in one of our KPIs. Underlying earnings before interest, taxation, depreciation and amortisation from continuing operations increased to £13.4 million (2019: £10.9 million) which includes a positive impact from the adoption of IFRS 16 in respect of leases contracts of £1.7 million. This represents a return on sales from continuing operations (defined as underlying EBITA divided by revenue) of 6.8% (2019: 6.2%). Operating profit from continuing operations was £1.8 million (2019: £1.9 million).

CTP and Aerospace underlying operating profits¹ grew by 14.7% and 27.3% respectively; however central costs increased by 20.9% due to an increase in the PPF levy and under absorption of overheads following the disposal of the Wipac businesses. Ongoing operational issues experienced in the LED division resulted in a £3.0 million underlying operating loss from discontinued operations for the period to disposal (2019: £5.1 million loss for the full year).

After net interest of £2.4 million (2019: £1.9 million), Group underlying profit before tax from continuing operations was £4.9 million (2019: £4.5 million).

Net bank interest increased £0.1 million to £1.2 million. The pension finance charge increased to £1.1 million (2019: £0.8 million) due to an increase in the defined benefit pension liability from 31 March 2018 to 31 March 2019. Lease interest charges including those following the adoption of IFRS 16 Leases were £0.2 million (2019: £0.1 million).

The Group underlying tax charge from continuing operations totalled £1.4 million (2019: £1.1 million), an underlying effective tax rate from continuing operations of 27.8% (2019: 23.4%). The effective tax rate is higher than the current UK corporation tax rate due to the weighting of taxable profits generated in higher tax jurisdictions.

Basic underlying earnings per share from continuing operations were 4.9 pence (2019: 2.1 pence).

As set out in note 10, exceptional items incurred for continuing operations totalled £5.5 million, of which £3.4 million relates to the costs of external advisors of the Company, its lending bank and the Group pension scheme and £1.4 million relates to the impairment of goodwill related to Aerospace.

The exceptional costs associated with the discontinued operations total £3.3 million. These costs principally relate to a £1.5 million impairment in the fair value of the LED assets held for sale recognised in the 2020 interim financial statements, a £0.5 million impairment in the value of the contract assets and a £0.3 million write-down of the carrying value of inventory both associated with the Wipac mid-volume programmes exited during the period and £1.0 million for the fees of external advisors to Wipac in respect to the restructuring and sale of the business.

Statutory operating loss was £4.4 million (2019: £12.6 million loss), and after statutory finance expenses of £2.6 million (2019: £2.1 million), statutory loss before tax and loss on disposal of discontinued operations was £7.0 million (2019: £14.7 million loss), giving a statutory basic loss per share of 15.5 pence (2019: 25.4 pence loss).

The statutory tax charge was £1.5 million, compared with a tax charge in 2019 of £4.0 million, with the prior year charge impacted by a £4.0 million derecognition of deferred tax assets. A reconciliation of statutory to underlying non-GAAP financial measures is provided on page 134.

1. Underlying profit is defined as profit before all exceptional items.

FINANCE REVIEW continued

Net debt

Net debt is another Group KPI. Net debt including IFRS 16 lease liabilities as at 31 March 2020 was £27.4 million, of which lease liabilities made up £5.3 million (31 March 2019: £38.5 million including lease liabilities of £1.5 million).

The major components of the net £11.1 million reduction in net debt were the proceeds from the exit of the LED Division which resulted in an inflow of £5.5 million and a reduction in working capital which generated £18.5 million, of which £16.9 million related to discontinued operations. Capital expenditure in the year was £8.6 million (year to 31 March 2019: £6.7 million).

Lease liabilities increased by £5.7 million upon the adoption of IFRS 16. Net debt excluding IFRS 16 lease liabilities at 31 March 2020 was £22.1 million (31 March 2019: £37.0 million).

Cash generated from operating activities from continuing operations was £6.9 million (2019: £8.8 million).

In the year, the Group invested £7.3 million including IFRS 16 right-of-use assets (2019: £2.3 million) in property, plant and equipment, and software for continuing operations, mainly in CTP's UK and USA operations. This represented 122.9% of the Group depreciation charge from continuing operations. A further £4.8 million was invested in property, plant and equipment for the discontinued Wipac business during the year.

At the year end, total UK bank facilities were £35.0 million, of which £30.0 million related to a revolving credit facility and £5.0 million to an overdraft facility. £30.5 million was drawn at the year end due to foreign exchange retranslation losses but remained within an allowed 5% tolerance under the terms of the facilities.

The last triennial actuarial valuation of the Group pension scheme was carried out as at 31 March 2018. The actuarial technical provisions deficit as of this date was £90.4 million (31 March 2015: £46.1 million), showing the scheme to be 65.4% funded on a continuing basis.

Treasury

The Group faces currency exposure on its overseas subsidiaries and on its foreign currency transactions.

Each business hedges significant transactional exposure using forward foreign exchange contracts for any exposure over £20,000. The Group reports trading results of overseas subsidiaries based on average rates of exchange compared with sterling over the year. This income statement translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the income statement is exposed to movements in the US dollar, euro, Czech koruna and Indian rupee. Based on the 2020 results, a 10% increase in the value of sterling against these currencies would have increased reported loss before tax by £0.7 million.

Dividend

Given the financial performance and position of the Group, coupled with restrictions on the payment of dividends contained within the refinancing agreement and the lack of distributable reserves, the Board is not recommending the payment of a dividend for the 2020 financial year (2019: £nil). The Board intends to recommence dividend payments only when it becomes confident that a sustainable and regular dividend can be introduced. Under the terms of the restructuring agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending in July 2023.



Alternative performance measures

In the analysis of the Group's financial performance, position, operating results and cash flows, alternative performance measures are presented to provide readers with additional information. The principal measures presented are underlying measures of earnings including underlying operating profit, underlying profit before tax, underlying profit after tax, underlying EBITDA and underlying earnings per share.

This results statement includes both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The Group's alternative performance measures and KPIs are aligned to the Group's strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Underlying results exclude certain items because, if included, these items could distort the understanding of the performance for the year and the comparability between the periods. A reconciliation of the Group's non-GAAP financial measures is shown on page 134.

We provide comparatives alongside all current year figures. The term "underlying" is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

All profit and earnings per share figures relate to underlying business performance (as defined above) unless otherwise stated. A reconciliation of underlying measures to statutory measures is provided below:

£m	Statutory	Exceptional items	Underlying Group	Underlying continuing
CTP operating profit	9.2	—	9.2	9.2
Aerospace operating profit	0.2	1.4	1.6	1.6
Central costs	(7.6)	4.1	(3.5)	(3.5)
Group operating profit from continuing operations	1.8	5.5	7.3	7.3
Group operating loss from discontinued operations	(6.2)	3.3	(2.9)	—
Group operating (loss)/profit	(4.4)	8.8	4.4	7.3
Net finance expense	(2.6)	—	(2.6)	(2.4)
Group (loss)/profit before taxation	(7.0)	8.8	1.8	4.9
Taxation	(1.5)	—	(1.5)	(1.4)
Loss on disposal of discontinued operations	(2.9)	2.9	—	—
Group (loss)/profit for the year	(11.4)	11.7	0.3	3.6
Basic (loss)/profit per share (pence)	(15.5p)	n/a	0.4p	4.9p

The exceptional items comprise:

£m	Continuing operations	Discontinued operations	Group
Professional advisors' fees for restructuring	3.4	1.0	4.4
Consultants fees for restructuring	0.3	—	0.3
Other rationalisation costs	0.4	—	0.4
Impairment of Aerospace goodwill	1.4	—	1.4
Impairment of LED business	—	1.5	1.5
Exit of medium volume automotive lighting contracts	—	0.8	0.8
Loss on sale of LED business	—	2.9	2.9
Total exceptional items	5.5	6.2	11.7

FINANCE

REVIEW continued

Post balance sheet events and going concern

Post balance sheet events

On 14 August 2020 the Group concluded a restructuring with the Company's main creditors, being its bank, HSBC, and the pension scheme, to secure the continued support of those parties through to July 2023.

The debt facilities now available to the Group comprise a term loan of £34.5 million, of which £3.0 million will be amortised by 30 September 2022, and a £3.5 million revolving credit facility maturing on 31 July 2023. The additional £3.0 million provides the Group with additional headroom to deal with uncertainty in short-term cash flows due to the current economic climate.

In addition, a new schedule of contributions has been agreed with the pension trustees covering the period to September 2037 or until such time as a new schedule of contributions and recovery plan has been agreed in respect of the scheme.

The bank facilities are subject to four covenants to be tested on a quarterly basis:

1. underlying interest cover;
2. net debt to underlying EBITDA;
3. core subsidiary underlying EBITA; and
4. core subsidiary revenue.

Core subsidiaries are defined as Carclo Technical Plastics Ltd; Bruntons Aero Products Ltd; Carclo Technical Plastics (Brno) s.r.o; CTP Carrera Inc and Jacottet Industrie SAS, with CTP Taicang Co. Ltd and Carclo Technical Plastics Pvt Co Ltd being treated as non-core for the purposes of these covenants.

In addition, the pension scheme has the benefit of a fifth covenant to be tested on 1 May each year up to and including 2023. In the year to 31 March 2021 the test is met by the payment of the agreed schedule of contributions. In subsequent years the test requires any shortfall of pension deficit recovery contributions when measured against PPF priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities) to be met by a combination of cash payments to the scheme plus a notional (non-cash) proportion of the increase in the underlying value of the CTP and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

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

Going concern

The base case financial projection was prepared taking into account the anticipated effect of the ongoing COVID-19 pandemic using the experience of the Group's performance in the first quarter of the 2020/21 financial year. The forecast also takes into account the impact of significant new tooling orders secured after the balance sheet date in the medical diagnostic sector which are expected to have a material positive impact on earnings and cash generation over both the next twelve months and future years as the business moves into follow-on volume production.

Sensitivity testing has been carried out based on a number of reasonably possible scenarios including taking into account an estimate of the reasonably possible impact on the Group of a second wave of the COVID-19 pandemic, and a no deal Brexit.

A severe downside scenario was also considered as part of the sensitivity analysis, addressing additional significant reductions in sales volumes. Such a scenario is considered remote and the Group has the capacity to take additional mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditures as necessary.

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that the Group will continue to operate within the facilities available to it and to adhere to the covenant tests to which it is subject throughout the twelve-month period from the date of signing the financial statements and as such it has adopted the going concern assumption in preparing the financial statements.



Matt Durkin-Jones
Chief Financial Officer

24 August 2020

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for creating the framework for the Group's risk management to operate effectively and for ensuring risk management activities are embedded in Carclo processes. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities. The Board undertakes risk management to improve understanding of the actual and potential risks to our business as well as its resilience, performance, sustainability and success, to enable it to assess and respond to new opportunities as they arise and to provide fair and balanced information to shareholders and potential shareholders.

The Board has carried out an assessment of the principal risks facing Carclo plc, including those that would threaten its business model, future performance, solvency or liquidity. This report details these risks and explains how they are being managed or mitigated.

The Board is responsible for creating the framework for the Group's risk management to operate effectively. This risk management framework includes risk assessment, response, communication and governance. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

When assessing risk, the Board considers both external (arising from the environment in which we operate) and internal factors (arising from the nature of our business and its internal controls and processes).

Local management takes ownership of the specific risks relevant to their sphere of operations with the likely causes and effects recorded within the risk register held at site level, with Corporate risks being identified within the Head Office Executive Team. The risks are scored based on likelihood and severity to enable the significant risks to be readily identified and the appropriateness of mitigations considered. The risk registers are reviewed, challenged and debated to keep them up to date and relevant to our strategy. Risks are escalated as appropriate.

During the year all the key risks identified by the sites were evaluated and aggregated with the highest scoring risks reviewed in detail at the Group Executive Committee. This Committee then proposed the risks that it considered key to the running of the business for evaluation at the main Board meeting.

The Board carried out a review of effectiveness which concluded that the risk management process that had been in place during the year was operating as documented.

A standing risk schedule is now included in the Board meeting papers which details the key risks currently identified alongside their mitigations and status of actions. This also includes emerging risks as identified at Group Executive Committee and Board meetings and instances of incurred losses against identified risks to enable assessment of the appropriateness of the mitigations.

The efficiency and effectiveness of existing internal controls will continually be challenged to improve the risk management framework.

The responsibilities of the Audit Committee are explained on pages 36 to 38. These responsibilities include the reviewing of the Group's risk management systems. These are primarily designed to mitigate risk down to an acceptable level, rather than completely eliminate the risk, and the review can provide only reasonable and not absolute assurance of effective operation, compliance with laws and regulations and against material misstatement or loss.

The Group's management is responsible for the identification, assessment, management and monitoring of risk and for developing, operating and monitoring the system of internal control. The Audit Committee receives reports from management on the effectiveness of those systems it has established.

Listed below are the most significant risks that may affect our business, although there are other risks that may occur and impact the Group's performance.

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risks	
Political uncertainty, including Brexit	<p>Political uncertainty such as the impact of Brexit and other overseas trade issues such as US and Chinese trade tariffs can naturally affect decisions by our customers to invest and therefore impact on our trading. We have a Group Executive Committee ("GEC") in place to review and assess the impact as more information becomes available and we are engaging with trade associations which are in contact with government. Whilst we continue to monitor and review competitive intelligence, we continue to focus on cost efficiency opportunities and on further differentiating our business by developing new growth plans and developing our ability to provide a stronger product for our customers.</p> <p>Until any Brexit deal is concluded risk cannot be completely mitigated, however Carclo will ultimately be able to continue to trade with member states and the Group will take guidance on any new trading regulations when the UK exits the European Union. As the Group operates in some countries which are outside of Europe and the EU this should help lessen any impact or disruption caused by an exit. In the meantime, we continue to monitor Brexit and other relevant political and trade announcements formally as part of GEC meetings using input from advisors as appropriate.</p>
IT security breach/ system failures	<p>Hacking and data security are an increasing concern for businesses. As a listed company, this introduces real risk to Carclo plc. We trust our IT systems to process a significant number of transactions each day. These systems contain highly confidential information about our customers, employees and shareholders. Breaches of IT security may result in unauthorised access to or loss of confidential information.</p> <p>An IT security breach may lead to loss of business, reputational damage, litigation and regulatory investigation and penalties.</p> <p>A breakdown or system failure may lead to major disruption for the businesses within the Group especially if network access is lost. The impact could have significant operational and financial ramifications if connection is unable to be restored quickly.</p> <p>Carclo uses a security password-protected firewall to help minimise the risk of fraudsters hacking into the system and maintains up-to-date antivirus solutions. In addition, IT management perform regular risk reviews to help keep data secure. In an ever-changing environment this serves to protect the information that we are entrusted with.</p> <p>The business has a defined Disaster Recovery procedure for the invocation of Disaster Recovery measures in place which provides full recovery in five days. We are building a virtual server to reduce that risk and are adding a second datacentre which will assist in the Disaster Recovery times.</p>
Funding and banking covenants	<p>On 14 August 2020, the Group concluded a refinancing agreement with the Group's lending bank and its pension trustees which provides lending facilities through to July 2023. The agreement includes a number of financial covenants which are normal for facilities of this type. The covenant tests are expected to be met.</p> <p>The Group monitors liquidity through a rolling 13-week cash forecast and over the medium term through bi-annual three-year forecasting and maintains a regular dialogue with its principal banker.</p>
Repatriation of cash to holding company	<p>The majority of the Group's earnings are now generated overseas and the plc itself is a loss-making entity. Should there be an inability of overseas subsidiaries to repatriate cash to the plc then it could become illiquid.</p>
Pensions	<p>Carclo's UK defined benefit pension scheme is mature and is large compared with the size of Carclo. The scheme is backed by substantial assets amounting to £172.8 million at 31 March 2020 (2019: £166.3 million).</p> <p>The triennial actuarial pension valuation deficit of £90.4 million as at 31 March 2018 was agreed as part of the refinancing arrangement concluded on 14 August 2020 in which the Group agreed to a pension deficit recovery plan comprising contributions of the following amounts for the next three years: £2.8 million (2021), £3.9 million (2022) and £3.8 million (2023).</p> <p>The Group expects it will be able to fund the contributions determined in the refinancing agreement. Whilst the interests of the Group and the Pension Fund Trustees are aligned in agreeing an affordable schedule of deficit repair contributions from August 2023, it is not certain that this will be achieved, and there remains a risk that the Pensions Regulator may impose conditions on the Group that the Directors deem to be unaffordable.</p> <p>The Group is engaged with the Chairman of the Trustees to develop a strategy to pro-actively manage assets, liabilities and administrative costs of the Scheme.</p> <p>The Group has in recent years offered eligible pensioners the option to switch from a pension with indexed-linked pension increases to a higher fixed pension with no future increases.</p>

Risks

COVID-19

As many of the Group's sites supply critical sectors, we have been able to continue operations with limited impact on production. We have experienced forced closures in India due to government regulations and brief closures in France and Scotland.

We are actively monitoring the COVID-19 outbreak in line with local and national authorities, public health bodies and WHO guidelines and will continue to modify our procedures and working practices accordingly. Notwithstanding strong demand in the medical sector, governmental guidance on social distancing and limited shutdowns have had an impact on operational efficiency which inevitably affects profitability. The Group's Aerospace division is witnessing a significant reduction in customers' aircraft newbuild programmes and with much of the European aircraft fleet having been grounded since March 2020, demand for both newbuild and spares has been negatively affected.

The Group has accessed government support programmes where available, including the furlough scheme and HMRC payment deferrals in the UK, the Paycheck Protection Program in the US and some tax relief in China. We have also taken action to reduce costs where possible in both divisional and central areas. The Group remains focused on ensuring operational continuity where it can; however, it remains very difficult to predict how the ongoing crisis will affect performance going forward.

The refinancing agreed with HSBC provides an additional £3 million headroom to support the Group to manage through the near-term uncertainty presented by the COVID-19 pandemic.

Reliance on major customers

The Group's revenue is concentrated in a small number of large customers. One risk of relying on a small customer base is the potential impact to the Group of losing either current or future business as a result of underperformance. We aim to mitigate this risk by a focus on customer service and operational performance.

There does remain an associated risk in the potential loss of such customers either through competitive pressures, relocation or insolvency. Such risks are mitigated through being able to offer world-class quality and costs, flexibility in manufacturing location and, in the case of insolvency, through the application of credit insurance across the Group. We work closely with our brokers to assess potential changes to risk levels in our customer base caused by the economic impacts of coronavirus.

Our policy has been to focus on major customers who are blue-chip multi-nationals operating in the medical, electronics and aerospace markets. Focusing on these key customers brings significant opportunities to develop in low cost regions and enhance the customers' products through our own technologies.

In addition we continue to upgrade individual facilities to better enable them to diversify into other markets.

The level of bad debts experienced in the year under review, and the prior year, were negligible.

Management bandwidth and dependence on key individuals

The management of the Group has been stretched following 15 months of continuous restructuring coupled with multiple changes in Directors across a 24-month period. The developing coronavirus situation and resulting uncertainty increases stakeholder focus which further exacerbates the issue.

Following the agreement with the bank and pension scheme and the successful exit of Wipac, there has been positive progress towards achieving a steady, business-as-usual state but there remains much stabilisation work to be done amid the global coronavirus pandemic.

The Group continues to rely on its advisors where appropriate and monitors the situation to add short-term resource as necessary and is developing a steady-state staffing plan appropriate for a listed company which is affordable in the context of the bank and pension debt servicing requirements. In addition, the Group is working with the Divisional Managing Directors to develop and ensure suitable succession plans are in place within the divisions.

Operational execution risk

The Technical Plastics division is looking to enter into multiple major tooling and supply contracts. If these are not well executed they will absorb management time, impact customer relationships and hinder forecast earnings growth and cash. This is managed via enhanced focus on management of risks at a local level; regular and frequent management reviews between risk owner and reporting managers as well as the use of operational KPIs reporting and monitoring.

VIABILITY STATEMENT

The Board has assessed the viability of the Group over a three-year period taking account of the Group's current position and the potential impact of the principal risks as documented above.

A robust assessment of the principal risks facing the business was conducted including those that would threaten its business model, future performance, solvency or liquidity, along with a detailed review of the budget for the year ending 31 March 2021 and the forecasts for the years ending 31 March 2022 and 31 March 2023 which were updated in May 2020 to take into account the actual and expected impacts of the COVID-19 pandemic on the Group (the "base case").

The Board has also taken into account the impact of new medical customer contracts secured after the balance sheet date, which are forecast to have a material positive impact on earnings and cash generation over the forecast period.

Three years is considered to be an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated and is aligned with our planning horizon at both Group and divisional level.

As set out in the post balance sheet events section of the finance review on page 22, committed facilities of £38.0 million are now in place with the £3.0 million in additional facility compared to the position at 31 March 2020 to deal with uncertainty in short-term cash flows arising in the current economic climate. The new financing agreement also sets out the schedule of defined benefit pension scheme deficit repair contributions agreed with the pension fund trustees for the period to July 2023. The Directors have assessed that these contributions are affordable throughout the three-year period.

The bank facilities are subject to four covenants to be tested on a quarterly basis: underlying interest cover; net debt to underlying EBITDA; core subsidiary underlying EBITA; and core subsidiary revenue. Based on our base case forecasts, these covenant tests are expected to be met for all periods.

In addition, the pension scheme has the benefit of a fifth covenant to be tested on 1 May each year up to and including 2023. In FY21 the test is met by the payment of the agreed schedule of contributions. In subsequent years the test requires any shortfall of pension deficit recovery contributions when measured against PPF priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities) to be met by a combination of cash payments to the scheme plus a notional (non-cash) proportion of the increase in the underlying value of the CTP and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

Based on management's current best estimate of PPF priority drift in combination with the base case, this test is expected to be satisfied for all relevant periods.

The next triennial actuarial assessment of the Group's defined benefit pension scheme liability will be performed as at 31 March 2021. The actuarial deficit and associated deficit repair contributions must be agreed by the Group and the pension fund trustees by June 2022, with those deficit repair contributions being applicable from the end of the recently signed financing agreement in August 2023. For the purpose of the latest actuarial valuation (as at 31 March 2018) the scheme actuary has calculated the technical provisions deficit to be £90.4 million; this deficit has increased from the previous valuation deficit (as at 31 March 2015) of £46.1 million. In the context of the profitability and the cash generation of the Group this is a major liability. Whilst the interests of the Group and the pension fund trustees are aligned in agreeing an affordable schedule of deficit repair contributions from August 2023, it is not certain that this will be achieved, and there remains a risk that the Pensions Regulator may impose conditions on the Group that the Directors deem to be unaffordable. In order to mitigate this risk the Board is working closely with the pension scheme trustees to explore options to reduce the liabilities and the risk associated with the defined benefit pension scheme.

The new Financing Agreement provides the Bank and Pension Scheme, during the term of the facility, a certain level of monitoring of enterprise performance and the possible use of surplus cash flow once the investment needs of the business, agreed between the parties, have been met.

The Board has considered whether it is aware of any specific relevant factors beyond the three-year horizon and concluded that, aside from the risk relating to future pension scheme deficit repair contributions described above, there are none.

The Directors have also reviewed sensitivity testing that has been carried out based on a number of reasonably possible scenarios including taking into account the potential impact of: the current view of reasonably possible impacts of the COVID-19 pandemic on the Group, including ongoing business interruptions and a possible "second wave"; a no deal Brexit; the reduced earnings and cash generation should performance of the new medical customer contracts secured after the balance sheet date not be in line with the forecasts; and reduced volumes from other less specific negative events in the Group's markets or with the Group's customers. Following this sensitivity testing the Directors have concluded that the Group will be able to continue in operation and meet its liabilities as they fall due over a three-year period.

The strategic report was approved by the Board on 24 August 2020 and signed on its behalf by:



Antony Collins
Chief Executive Officer



Matt Durkin-Jones
Chief Financial Officer

CHAIRMAN'S INTRODUCTION



Joe Oatley
Non-Executive Chairman



The Board is fully supportive of the principles laid down in the Code and continues to review its systems, policies and procedures that support the Group's governance practices."

The statement of corporate governance practices set out on pages 32 to 35, including the reports of Board Committees, and information incorporated by reference, constitutes the corporate governance report of Carclo plc.

Dear Shareholder

On behalf of the Board, I am pleased to present Carclo plc's corporate governance report for the year ended 31 March 2020. This report seeks to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties and apply the principles of good governance set down in the UK Corporate Governance Code 2018 ("the Code").

Since joining the Board in 2018, I have observed the Board's desire to maintain appropriate standards of corporate governance throughout the Group. The Board is fully supportive of the principles laid down in the Code and continues to review its systems, policies and procedures that support the Group's governance practices.

We acknowledge that good governance is fundamental to the success of the Group and it is woven into the strategy and decision-making processes throughout the business. The tone from the top is cascaded from the Board to the Executive Team and out to the business. The composition of the Board is routinely assessed to ensure that we have the right balance of skills, experience and knowledge required to achieve our strategic goals. Within this assessment the Board gives due consideration to the benefits of widening board diversity in terms of background, ethnicity, age, experience, gender and perspective. All appointments are made on merit alone.

The Board took an important step forward in improving its governance processes with the appointment of an experienced and dedicated Company Secretary in October 2019.

As in prior years, an internal evaluation of the Board and each of its Committees has been undertaken. The conclusions from the evaluation confirmed that the Board continues to function effectively as a whole and in Committee, and that all Directors properly discharge their duties.

Nonetheless, the Board also identified areas to focus on improvement in the coming year, including: improving the information provided to the Board so it is better able to assess the Group's operational performance; increasing focus on medium and long-term strategy; and improving the assessment of senior leadership in the Group and development of better succession planning. In line with best practice, consideration is being given to undertaking next year's evaluation using an external consultant.

As in previous years, all Directors are proposed for election or re-election at the Annual General Meeting of the Company.

We remain cognisant of the strong relationship between ethics and governance and the role the Board plays in demonstrating ethical leadership. Further information on ethics is contained in our corporate social responsibility report on pages 15 to 18.

From January 2019 to September 2019, Mark Rollins operated as the Executive Chairman until Antony Collins was appointed as interim Chief Executive on 1 October 2019. Mark stepped down as the Non-Executive Chairman on 24 March 2020 for personal reasons.

The Board is extremely grateful for Mark's service, having made a valuable contribution to the Group and showed strong leadership in a difficult time. I was appointed as the Non-Executive Chairman with effect from 27 April 2020, to ensure the Group had appropriate leadership whilst the search for a permanent Non-Executive Chairman was underway. I am pleased to report that Nick Sanders joined the Board as a Non-Executive Director and Chairman-elect on 18 August 2020. It is the Board's intention that Nick will take over from me as Non-Executive Chairman after this year's Annual General Meeting.

The Board was further strengthened in January 2020 by the appointment of Matt Durkin-Jones as interim Chief Financial Officer, bringing extensive financial experience of manufacturing companies in Europe, Asia and North America.

On 14 April 2020, the Company announced that Mazars LLP had been appointed as the Group's external auditor. Further detail on the completion of the audit tender and the appointment of Mazars LLP can be found in the Audit Committee report on page 38.

Our corporate governance report is set out on pages 32 to 56 and incorporates the Audit Committee report on pages 36 to 38, the Nomination Committee report on pages 39 to 41 and the Directors' remuneration report on pages 42 to 56.

This section of the annual report sets out how we manage the Group and comply with the provisions of the Code. Our Statement of Compliance with the UK Corporate Governance Code is set out on page 32.



Joe Oatley
Non-Executive Chairman

24 August 2020

Compliance with the 2018 Corporate Governance Code

The Company is subject to the principles and provisions of the 2018 UK Corporate Governance Code ("the Code"), a copy of which is available at www.frc.org.uk.

Principle	How Carclo has applied it
<p>Principle 01: Board leadership and Company purpose</p> <p>The Board is collectively responsible for leading and controlling all activities of the Group, with overall authority for establishing the Company's purpose and overseeing the management and conduct of the Group's business, strategy and development.</p>	<p>Read how Carclo plc has applied and discussed Principle 01 of the corporate governance framework in the statement of corporate governance on pages 32 to 35.</p>
<p>Principle 02: Division of responsibilities</p> <p>The Board comprises the Chairman, two Executive Directors and three independent Non-Executive Directors ("NEDs"). The key roles and responsibilities of the members of the Board, including the division of responsibilities between the Chairman and CEO, are discussed on page 32.</p>	<p>Read how Carclo plc has applied and discussed Principle 02 of the corporate governance framework in the statement of corporate governance on pages 32 to 35.</p>
<p>Principle 03: Composition succession and evaluation</p> <p>The Board has formally delegated authority to the Nomination Committee to assist the Board in satisfying its responsibilities relating to the composition and make-up of the Board and its Committees.</p>	<p>Read how Carclo plc has applied and discussed Principle 03 of the corporate governance framework in the Nomination Committee report on pages 39 to 41. Details of the methodology used in the 2019 Evaluation of Board Effectiveness can be found on page 33.</p>
<p>Principle 04: Audit, risk and internal control</p> <p>The Board has overall responsibility for ensuring that the Group maintains a sound system of risk management and internal control. The Board has formally delegated specific responsibilities for audit, risk management and financial control to the Audit Committee. The Board considers and determines the principal risks faced by the Company, and also conducts an annual review of the effectiveness of the risk management and internal control systems.</p>	<p>Read how Carclo plc has applied and discussed Principle 04 of the corporate governance framework in the Audit Committee report on pages 36 to 38. Principal risks faced by the Company can be found on pages 23 to 25.</p>
<p>Principle 05: Remuneration</p> <p>The Remuneration Committee formally assists the Board in discharging its responsibilities in relation to Executive Director remuneration. The Board will be seeking approval of its Remuneration Policy at the 2020 Annual General Meeting.</p>	<p>Read how Carclo plc has applied and discussed Principle 05 of the corporate governance framework in the Directors' remuneration report on pages 42 to 56. The Board's Remuneration Policy can be found on pages 44 to 47.</p>

BOARD OF DIRECTORS



Joe Oatley

Non-Executive Chairman

Joe was appointed as Non-Executive Chairman on 27 April 2020, having served as a Non-Executive Director of the Company and the Chair of the Remuneration Committee from July 2018.

Skills and experience

Joe is currently also a Non-Executive Director at Wates Group Limited and Centurion Group Limited. Previously he was Group Chief Executive of Cape plc from 2012 to 2017. Prior to joining Cape he was Chief Executive of Hamworthy plc.

External appointments

Wates Group Limited –
Non-Executive Director
Centurion Group Limited –
Non-Executive Director

Committees



Antony Collins

Group Chief Executive Officer

Antony was appointed Chief Executive Officer on 1 October 2019, having previously been interim Chief Restructuring Officer from 30 May 2019.

Skills and experience

In a 30-year business career, Antony has held a variety of roles as an executive and advisor in plc and private equity companies. He was Chief Executive of John Foster & Son plc before becoming a director in PwC's Business Restructuring Division. Antony began his post-graduate career as an officer in the British Army. He has an MBA from Manchester Business School and is a Member of the Institute for Turnaround.



Matt Durkin-Jones

Chief Financial Officer

Matt joined the Company as Interim Chief Financial Officer on 21 January 2020.

Skills and experience

Matt previously served as Director of Financial Planning and Analysis for Insitu Inc, a subsidiary of Boeing based in Washington State, USA.

A Chartered Management Accountant with over 30 years' international finance and accounting experience, he commenced his career with ICI/Huntsman Polyurethanes in Manchester, embarking on a series of progressive roles, taking him to Brussels, Belgium.

Matt subsequently worked for R.R. Donnelley & Sons in Amsterdam, the Netherlands; PCH International in Shenzhen, China; and Erickson Aviation in Portland Oregon, USA.

Key

- A** = Audit Committee
N = Nomination Committee
R = Remuneration Committee
 ○ = Committee Chair



Peter Slabbert
 Senior Independent
 Non-Executive Director

Peter was appointed a Non-Executive Director of the Company from 1 April 2015 and Chair of the Audit Committee from that date.

Skills and experience

Peter was Chief Executive of Avon Rubber plc from April 2008 to September 2015. A Chartered Accountant, Peter joined from Tilbury Douglas where he was Divisional Finance Director and Group Financial Controller. Prior to that, he worked at Bearing Power International as Finance Director.

Committees



David Toohey
 Independent Non-Executive Director

David was appointed a Non-Executive Director of the Company from 1 April 2015 and appointed as Chair of the Remuneration Committee on 27 April 2020.

Skills and experience

David has over 30 years' experience in international business, the last 20 of which have been in medical devices and the In Vitro Diagnostics industry. He has been Chief Executive Officer of Syncrophi Systems Limited since 2012. He joined Syncrophi from Alere Inc, where he spent eleven years in senior managerial roles, latterly as President of International Business Operations. He has held various executive positions at Boston Scientific Corporation, Bausch & Lomb, Inc., Digital Equipment Corp. and Mars, Inc.

External appointments

Syncrophi Systems Limited –
 Chief Executive Officer

Committees



Nick Sanders
 Independent Non-Executive Director
 and Chairman-elect

Nick was appointed a Non-Executive Director and Chairman-elect of the Company from 18 August 2020.

Skills and experience

Nick is an engineer by training and has over 20 years' board experience in UK and international businesses. His early career was spent in a variety of technical and operational roles at Rolls-Royce and Lucas Aerospace and since 2002 he has been leading turnaround situations in aerospace and manufacturing businesses. In this capacity he served as Executive Chairman of Gardner Aerospace for nine years until 2019. Nick was also a founding partner of Better Capital LLP (advisors to the turnaround funds).

External appointments

Sertec Group –
 Non-Executive Chairman
 Doncasters –
 Non-Executive Director
 Cashewglen Limited –
 Non-Executive Chairman

STATEMENT OF CORPORATE GOVERNANCE

UK Corporate Governance Code

The Company remains committed to the highest standards of corporate governance for which the Board is accountable. The Company has complied throughout the year with the main principles and provisions of the 2018 UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council. The Company continues to maintain and review its systems, processes and policies to support its sustainability and governance practices. This statement, together with the Directors' remuneration report, describes how the Company has applied the main principles and provisions of the Code.

The Board

The Board comprises the Non-Executive Chairman, the Chief Executive, the Chief Financial Officer and three other Non-Executive Directors.

Following the resignation of Chris Malley, the former Chief Executive, Mark Rollins took over the responsibilities of being Executive Chairman. On 1 October 2019, on the appointment of Antony Collins as Chief Executive, the Executive Chairman returned to a Non-Executive Chairman role.

On 23 October 2019, Sarah Matthews-DeMers, the Finance Director, resigned from the Board. On 21 January 2020, Matt Durkin-Jones was appointed Chief Financial Officer. On 24 March 2020, Mark Rollins stepped down as Non-Executive Chairman and Joe Oatley, a Non-Executive Director, was appointed as Non-Executive Chairman on 27 April 2020. Nick Sanders was appointed as a Non-Executive Director and Chairman-elect on 18 August 2020. It is the Board's intention that Nick will take over from Joe Oatley as Non-Executive Chairman after this year's Annual General Meeting. Under the Company's articles of association, all Directors must offer themselves for re-election at least once every three years. However, in accordance with developing best governance practice, all Directors normally seek re-election on an annual basis.

The biographies of all the Directors appear on pages 30 and 31.

The Chairman has primary responsibility for leading the Board and ensuring its effectiveness. He sets the Board's agenda and ensures that all Directors can make an effective contribution.

Whilst the Chairman was undertaking the role of Executive Chairman, the Senior Independent Non-Executive Director assisted with these responsibilities.

The Senior Independent Non-Executive Director had the power to add items to the agenda of full Board meetings. Whilst the Group did not have a Chief Executive, the Executive Chairman had responsibility for all operational matters and the development and implementation of Group strategy approved by the Board.

The Chairman and each Non-Executive Director were independent on appointment and the Board considers each Non-Executive Director to be independent in accordance with the Code. Peter Slabbert, as Senior Independent Non-Executive Director, is available to shareholders if they have concerns which have not been resolved through the normal channels of Chairman or Chief Executive.

The Board meets regularly (at least seven times each year) and there is contact between meetings to progress the Company's business.

During the year, one in which the ongoing challenges faced by the Group resulted in a significant increase in the need for Board meetings, attendance by Directors at meetings of the Board and its various Committees was as follows:

	Board meetings		Remuneration		Audit		Nomination	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
J Oatley	37	37	7	7	8	8	6	6
A Collins	15	15	—	—	—	—	—	—
M Durkin-Jones	5	5	—	—	—	—	—	—
P Slabbert	37	37	7	7	8	8	6	6
D Toohey	37	37	7	7	8	7	6	6
M Rollins	35	35	4	4	—	—	5	5
S Matthew-DeMers	22	22	—	—	—	—	—	—

Board meetings are usually held at subsidiary facilities at least twice a year. These visits include meeting with staff and attending presentations from management which enables particular focus on the regional considerations associated with implementation of the Group's strategy.

In the financial year a visit was made to the Technical Plastics facility in Mitcham. The Board has a formal schedule of matters specifically reserved to it for decision (including the development of corporate strategy and the approval of annual budgets, major capital expenditure and potential acquisitions and disposals). Briefing papers are distributed by the Secretary to all Directors in advance of Board meetings. All Directors participate in a full induction process on joining the Board and subsequently receive training and briefing as appropriate. The Directors are authorised to obtain independent advice as required. The Board evaluation process also considers specific training or development needs.

Conflicts of interest

Under the requirements of the Companies Act 2006 each Director must seek authorisation before taking up any position that may conflict with the interests of the Company. The Board has not identified any actual conflict of interest in relation to existing external appointments for each Director which have been authorised by the Board in accordance with its powers. A register is maintained by the Company Secretary and reviewed on an annual basis.

Board evaluation

The Non-Executive Chairman supervised an internal evaluation of the Board's performance and that of its principal Committees. In addition, an evaluation of the performance of individual Directors was undertaken by the Senior Independent Director.

The evaluation process was based on a series of questions devised for the purpose and circulated to the Directors. The process reviewed issues such as: the assessment and monitoring of the Company's strategy, the monthly Board meeting agenda and information flow, Board effectiveness, and governance. There was also a review of the role and performance of the Board Committees. The results of the evaluation were collated by the Non-Executive Chairman and will form the basis of Board objectives for 2020/21, including:

- improving the information provided to the Board so it is better able to assess the Group's operational performance;
- increasing focus on medium and long-term strategy; and
- improving the assessment of senior leadership in the Group and development of better succession planning.

The Code requires that the Board should hold an externally facilitated evaluation at least every three years, which was due in 2019-2020. Due to the executive changes on the Board at the time the review would have taken place, the Board concluded that it would be preferable to delay the externally facilitated evaluation and instead carried out a comprehensive internal evaluation. It is expected that an externally facilitated evaluation will take place in 2020-2021.

The Nomination Committee recognises the benefits to the Group of diversity in the workforce and in the composition of the Board and supports the importance of diversity in its broadest sense. While the Company will continue to make all appointments made on merit and based on the best candidate for the role, it will always consider suitably qualified applicants for roles from as wide a range as possible, with no restrictions on age, gender, religion, ethnic background or current employment, but whose competencies and knowledge will enhance the Board and workforce.

Engagement with the workforce

The Board has complied with the Code and has engaged with the workforce. The Board has adopted the process whereby each of its Non-Executive Directors is a designated director to engage with the workforce at each of Carclo's UK largest operating sites and Head Office. Each of the engagement sessions carried out during the year was well attended with high workforce engagement. In all cases a number of improvements were identified from these meetings that were subsequently implemented by local management.

Board Committees

The Board has three Committees, Nomination, Remuneration and Audit, all of which have terms of reference which deal specifically with their authorities and duties.

The terms of reference may be viewed on the Company's website. All Committee appointments are made by the Board. Only the Committee chairmen and members of the Committees are entitled to be present at Committee meetings, but others may attend by invitation.

STATEMENT OF CORPORATE GOVERNANCE continued

Board Committees continued **Nomination Committee**

The Nomination Committee comprises the Non-Executive Directors including the Non-Executive Chairman.

The Committee is chaired by the Non-Executive Chairman and is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In considering an appointment the Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for a particular candidate.

In the last year the full Committee has met six times to discuss Board performance and new appointments to the Board.

Remuneration Committee

The Company has established a Remuneration Committee consisting entirely of independent Non-Executive Directors. The Remuneration Committee met seven times during the year and was chaired by Joe Oatley until 27 April 2020, when David Toohey was appointed Chair.

The Committee recommends to the full Board the Company's policy on Executive Director and executive management remuneration and continues to determine individual remuneration packages for Executive Directors. The Remuneration Committee is authorised by the Board to obtain independent professional advice if it considers this necessary. The Directors' remuneration report on pages 42 to 56 sets out the Group's remuneration objectives and policy and includes full details of Directors' remuneration in accordance with the provisions of the Code.

The Remuneration Committee takes care to recognise and manage any conflicts of interest when receiving views from Executive Directors or senior management about its proposals.

Audit Committee

The Audit Committee comprises all the Non-Executive Directors excluding the Non-Executive Chairman and meets not less than three times annually. During the year the Committee was chaired by Peter Slabbert who, as a Chartered Accountant and being the former group finance director of Avon Rubber plc until his appointment as chief executive in April 2008, has both recent and relevant financial experience. The Committee provides a forum for discussions with the Group's external and internal auditors. Meetings are also attended, by invitation, by the Non-Executive Chairman and Chief Financial Officer.

The Audit Committee has terms of reference which follow closely the recommendations of the Code and include the following main roles and responsibilities:

- to monitor the financial reporting process;
- to review the effectiveness of the Group's internal financial controls, internal control and risk management systems and internal audit function;
- to review the independence and effectiveness of the external auditor, including the provision of non-audit services;
- reviews whistleblowing arrangements whereby employees can report concerns about financial irregularities, health and safety and environmental or legal matters. A dedicated whistleblower email address has been set up, details of which are included in new employee induction material and advertised at operating sites;
- assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate information which is properly reflected in the published accounts; and
- reviews half-year and annual accounts before their submission to the Board and reviews reports from the external and internal auditors.

The Audit Committee report is set out on pages 36 to 38.

Certain operational and administrative matters are delegated by the Board to the Group Executive Committee:

Group Executive Committee

The Group Executive Committee is chaired by the Chief Executive and comprises the Executive Directors together with the heads of each business division. The Company Secretary acts as Secretary to the Committee.

Representatives from Finance, IT and HR also attend the Committee meetings. The Committee was re-established in February 2020 and has met on a monthly basis since that date. The Committee is responsible to the Board for running the ongoing operations of the Group's businesses.

Accountability and audit **Internal control**

The Board confirms that it has established procedures that provide for a continuous process for identifying, evaluating and managing the principal material business risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the annual report and accounts. The process has been reviewed by the Board.

For the year ended 31 March 2020, the Board has reviewed the effectiveness of the Group's system of internal control and risk management, for which it retains overall responsibility.

The Audit Committee reviews the effectiveness of the Group's internal control system, the scope of work undertaken by the internal auditor and its findings, the Group's accounts and the scope of work undertaken by the external auditor. Reviews are undertaken regularly and cover each accounting year and the period up to the date of approval of the accounts.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The principal features of the Group's internal control structures can be summarised as follows:

a) Matters reserved for the Board

The Board holds regular meetings and has a number of matters reserved for its approval, including major capital expenditure and dividend policy. The Board is responsible for overall Group strategy and for approving all Group budgets and plans. Certain key areas are subject to regular reporting to the Board including capital expenditure, corporate taxation and legal matters. The Audit Committee assists the Board in its duties regarding the Group's financial statements and liaises with the external auditors.

b) Organisational structure

There is a clearly defined organisational structure with lines of responsibility and delegation of authority to divisional executive management. Divisional responsibility is supplemented by a Group finance manual which dictates policies and practices applicable across the Group and includes accounting, purchasing, capital expenditure and codes of business conduct. These are reviewed by the internal auditor and are reported to the Audit Committee. This process forms part of the Audit Committee's review of the effectiveness of the Group's system of internal control.

c) Financial control and reporting

There is a comprehensive Group-wide system of planning and budgeting with frequent reporting of results to each level of management as appropriate, including monthly reporting to the Board. Reviews involving Executive Directors and divisional executives include the annual identification and assessment of business and financial risks inherent in each division.

d) Internal auditor

During the year Grant Thornton provided the outsourced internal audit function. The internal auditor reports to the Audit Committee and works to an agreed programme.

Relations with shareholders

The Company recognises the importance of communication with its shareholders. Regular meetings are ordinarily held between Directors of the Company and major institutional shareholders including presentations after the Company's preliminary announcements of the half-year and full-year results and discussions on performance and strategy. Major shareholders have been advised that the Chairman and the Non-Executive Directors are available for separate discussions if required. The Chairman held meetings with several major shareholders during the year. The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. Shareholders have the opportunity to raise questions with the Board during the meeting. Directors also make themselves available before and after the AGM to talk informally to shareholders, should they wish to do so. From the 2019 AGM, voting has been held on a poll basis.

Significant shareholder dissent

At the 2019 AGM the Directors requested authority to allot shares for cash on a non-pre-emptive basis in any circumstances up to a maximum aggregate nominal amount of £183,548 (representing approximately 5% of the issued share capital prior to the 2019 AGM), to purchase up to 10% of the Company's issued ordinary shares in the market, and to be able to call general meetings (other than an AGM) on not less than 14 clear days' notice; however, the requisite majorities for approval of these three resolutions were not achieved.

The Board subsequently engaged in discussions with its principal shareholders, and understood this was largely attributable to the business and share price performance over the past year.

Structure of the Company's capital

Details of the structure of the Company's capital are set out in the Directors' report on pages 58 and 59.

By order of the Board



Angie Wakes
Secretary

24 August 2020

AUDIT COMMITTEE REPORT



Peter Slabbert
Chair of the Audit Committee

Annual statement by the Chair of the Audit Committee

The Audit Committee has continued its scrutiny of the Group's system of risk management and internal controls, the robustness and integrity of the Group's financial reporting and the scope, effectiveness and results of both the internal and external audit processes.

The key responsibilities of the Committee are:

- to review the quality and acceptability of accounting policies and practices;
- to keep under review the Group's financial and other systems and controls and financial reporting procedures;
- to plan and scope the annual audit, receive audit reports and review financial statements taking account of accounting policies adopted and applicable reporting requirements;
- to review the financial statements (half yearly and annual report) and advise the Board on whether they give a fair, balanced and understandable explanation of the Group's performance, business model and strategy over the relevant period;
- to review the internal controls of the Group and monitor and review the effectiveness of the internal audit function;
- to review and update the Company's risk management systems and the effectiveness of those systems;
- to review and challenge actions, judgements and key estimates of management in relation to financial statements;
- to review significant legal and regulatory matters;
- to review all matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external audit process and to review the scope and results of the audit;
- to review the Anti-Bribery and Corruption Policy and procedures and other policies relevant to financial security, compliance and business ethics;
- to review the Committee's terms of reference and carry out an annual review of the performance of the Committee; and

- to report to the Board on how the Committee has discharged the aforementioned responsibilities.

The Committee will continue to keep its activities under review in the light of developing regulations and best practice.

The Audit Committee is the body appointed by the Board with responsibility for carrying out the functions required by the FCA Disclosure and Transparency Rules DTR 7.1.3R.

Composition

The Audit Committee comprises all the Non-Executive Directors excluding the Non-Executive Chairman and meets not less than three times annually. During the year in question, the Committee was chaired by Peter Slabbert who, being a Chartered Accountant and former group finance director of Avon Rubber plc, has both recent and relevant financial experience. The Board is satisfied that the Committee as a whole has relevant sectoral competence as required by the Code. Other members also have relevant financial experience.

Meetings

Only Audit Committee members are entitled to attend a meeting. However, the Chief Executive and Chief Financial Officer are normally invited to attend meetings.

Eight meetings were held during the year, two of which were scheduled to coincide with the Board's review and approval of the Group's interim statement and of its preliminary results announcement based on the annual report and accounts.

Internal control and risk management

The Group has an established system of internal control and a risk management framework that the Board considers appropriate in the context of the Group's reporting requirements and strategic objectives. Internal controls and risk management systems covering all material controls including financial, operational and compliance controls, are subject to internal and external audit and the outputs of the risk management process are actively challenged by the Board.

On behalf of the Board, all these activities are periodically reviewed by the Audit Committee and their effectiveness assessed through oral and written reports from both internal and external auditors.

In last year's annual report, it was stated that the effectiveness of the risk management process was under review, having failed to identify significant operational and financial issues in the LED Technologies division. The risk management process has now been improved and no similar failings have been identified this year. However, with the delayed reporting from last year and with multiple changes in the Executive management team, the improvements had yet to become fully implemented during the reporting period. The Committee will continue to focus on improving both the internal control and risk management environment in the current financial year.

A Risk Assurance Review is conducted annually by the full Board, in addition to a Risk Management and Internal Control Report Review.

Further details of the Group's emerging and principal risks and uncertainties together with the mitigating actions are set out on pages 23 to 25 of the annual report and accounts.

Internal audit

The Committee reviews annually the arrangements for internal audit and Grant Thornton UK LLP continued to provide the outsourced internal audit function throughout the year. The internal auditor monitors and reports on the system of internal control and works to an agreed programme, although the extent of the programme was curtailed this year due to restrictions arising from COVID-19. The internal audit plan is set in the context of a developing assurance reporting process, is flexed to deal with any change in the risk profile of the Group and is approved by the Committee. The internal audit programme was reviewed in light of the changes to the Group's strategic focus.

Significant issues related to financial statements

The Committee reviews accounting papers prepared by management that provide details of significant financial reporting issues, together with reports from the external auditor prepared in conjunction with the interim and full-year results, and assesses the following, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements or estimates have been applied or there has been discussion with the external auditor;
- whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

These matters are also discussed with the external auditor together with anything else that the auditor brings to the Committee's attention.

In the year to 31 March 2020, such issues included the impact of changes in accounting standards and other financial reporting disclosures.

In addition to the above, the Committee supports the Board in completing its assessment of the adoption of the going concern basis of preparing the financial statements. The Directors include a Viability Statement concerning the prospects of the Company, as required by the Code. During the financial year, the Committee reviewed the approach taken by the Directors in preparing and reporting on the Viability Statement with due regard for wider market practice and developing guidance. As a result of that review, the Committee was satisfied that the approach adopted was appropriate. The Viability Statement for the 2020 financial year is included on page 26 and 27.

The Committee also considered changes in corporate governance and the need for the annual report to be fair, balanced and understandable and to contain sufficient information on the Group's performance.

The significant judgements considered by the Committee where there was potential risk of material misstatement were:

- the IAS 19 pensions position. The Company has a defined benefit pension scheme with liabilities of approximately £210.4 million and assets of approximately £172.8 million as at 31 March 2020. These numbers are sensitive to the main assumptions used to calculate the deficit or surplus on the scheme and the Audit Committee seeks confirmation that these assumptions are appropriate;
- the Group balance sheet value of goodwill. The balance of goodwill on the Group balance sheet as at 31 March 2020 is £23.4 million and the Audit Committee seeks to gain assurance through the Executive management's review of fair values and discounted cash flow analyses, particularly in the light of the reduction in market capitalisation in the year, that there are no potential impairment or recoverability issues; and
- going concern. The Audit Committee supported the Board in its assessment of the adoption of the going concern basis of preparing the financial statements. As a result of that review, the Board was satisfied that the approach adopted was appropriate.

AUDIT COMMITTEE REPORT continued

Significant issues related to financial statements continued

Other areas of judgement reviewed by the Committee, but where it concluded there was not a risk of material misstatement, included:

- recognition of deferred tax assets. Deferred tax assets are only recognised to the extent that it is considered there are sufficient taxable profits against which to offset future tax deductions. No deferred tax assets have been recognised in the UK entities as the central costs are considered likely to offset the trading profits. The Committee agreed with this approach;
- classification of exceptional items. Certain items during the period have been presented as exceptional items as defined in the Group accounting policy. The Committee agreed with this approach; and
- discontinued operations. The disposal of the LED Technologies business, which was completed in two stages, has been presented as a single transaction and has been classified as a discontinued operation. The Committee agreed with this approach.

The Committee considered whether the 2020 annual report taken as a whole was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee is satisfied that, taken as a whole, the annual report is fair, balanced and understandable.

External audit

The Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. The external auditor's appointment is reviewed periodically, and the lead audit partner is rotated at least once every five years.

KPMG LLP, who had been the Group's external auditor since September 2005, had indicated at the conclusion of the 2019 annual financial statements that they would not be participating in the Group's proposed tender for external audit services, and therefore tendered their resignation as external auditor of the Group on 24 March 2020.

As a result of this, the Audit Committee commenced the process of carrying out an audit tender process in accordance with applicable law and regulation. The Audit Committee initiated the tender process in December 2019 with an accelerated timetable to ensure that the new external auditor would be appointed as soon as possible.

The process was led by the Chair of the Audit Committee and the interim Chief Financial Officer. A number of firms were approached initially to take on the role of external auditor and two were shortlisted. The Chairman and interim Chief Financial Officer then met separately with the audit partner of each shortlisted firm in advance of issuing an invitation to tender or Request for Proposal ("RFP"). The two firms were subsequently invited to tender for the audit and each firm was sent the RFP which set out the process, timescales, requirements and evaluation criteria. The criteria included the experience and knowledge of the lead partner and audit team, the global account management capability, audit approach, audit coverage and transition plan.

Each firm was invited to meet the senior team including the Non-Executive Chairman, Audit Committee Chair, Chief Executive Officer and Chief Financial Officer as well as the relevant finance teams across the operations and at Group. The Audit Committee later met to evaluate each firm using agreed evaluation criteria to reach its recommendation to the Board. At the conclusion of the process the Audit Committee (having consulted with management) recommended to the Board that Mazars LLP be appointed as external auditor immediately for the 2019-2020 financial year.

The Board accepted the Audit Committee's recommendation to appoint Mazars LLP as external auditor on a casual vacancy basis and this was announced on 14 April 2020. Shareholders will be formally asked to approve Mazars' appointment at the 2020 AGM.

The Committee reviews reports from the external auditor as part of the annual audit process. These cover the scope, approach and results of the external audit and include the procedures adopted for safeguarding the firm's independence and objectivity. The quality and content of these reports, together with the performance and behaviour of the audit teams during the exercise of their duties, inform the Committee's assessment of audit effectiveness.

The Committee has an established policy for determining the non-audit services that the external auditor can provide where justified on grounds of cost and related expertise and where not impacted by potential conflicts of interest. This allows the Committee to satisfy itself that auditor objectivity and independence are safeguarded. The analysis of audit and non-audit fees for the year to 31 March 2020 and the nature of the non-audit services provided appear in note 8 in the accounts. Non-audit fees totalled £nil, which is equivalent to 0.0% of the audit fees. No non-audit fees incurred in the year were considered to be significant. No approval shall be given to any non-audit services prohibited under the amendments to Companies Act 2006 and the FRC Revised Ethical Standard 2019.

As discussed above, Mazars LLP will be proposed for appointment as external auditor by shareholders at the forthcoming Annual General Meeting.



Peter Slabbert
Chair of the Audit Committee
24 August 2020

NOMINATION COMMITTEE REPORT



Joe Oatley
Chair of the Nomination Committee

The Nomination Committee is responsible for regularly reviewing the composition of the Board including its structure, size and diversity in order to ensure that the Group has the right leadership, balance of skills and experience to deliver its strategy and enable the Board to effectively fulfil its obligations.

Composition

The Nomination Committee comprises all of the Non-Executive Directors. It is currently chaired by the Non-Executive Chairman, Joe Oatley. The Committee was chaired by Mark Rollins until his departure from the business in March 2020. The Committee met on six occasions during the year.

Role of the Committee

The Committee is responsible for regularly reviewing the composition of the Board including its structure, size and diversity. It is also responsible for succession planning and identifying and recommending appropriate candidates for membership of the Board when vacancies arise. The Committee has applied the Code provisions in developing the Group's policies on succession planning and appointments. In considering an appointment, the Committee evaluates the balance of skills, knowledge, independence and experience of the Board and prepares a description of the role and capabilities required for a particular appointment. Internal candidates are considered where appropriate.

The Committee considers the Company's initiatives for senior succession planning, together with the training and development of employees with the ability to progress to senior positions in the Group. The Board believes that these initiatives improve the probability of the appointment of internal candidates to key executive positions and thereby enable the Group to fulfil its strategic objectives.

The Nomination Committee also reviews the time required from each Non-Executive Director and any other significant commitments of the Non-Executive Chairman. The 2019/20 review found the Non-Executives' time commitments to be sufficient to discharge their responsibilities effectively. Based on recommendations from the Nomination Committee, Directors submit themselves for election at the AGM following their appointment and thereafter annually for re-election in accordance with good governance.

Skills and knowledge of the Board

A key responsibility of the Committee is to ensure that the Board maintains a balance of skills, knowledge and experience appropriate to the long-term operation of the business and delivery of the strategy. As in past years, the Nomination Committee has reviewed the composition of the Board and as part of this review the Committee considered whether:

- the Board contains the right mix of skills, experience and diversity;
- the Board has an appropriate balance of Executive Directors and Non-Executive Directors; and
- the Non-Executive Directors are able to commit sufficient time to the Company to discharge their responsibilities effectively.

Following the review, the Committee was satisfied that the Board continues to have an appropriate mix of skills and experience to operate effectively. All the Directors have many years of experience, gained from a broad range of businesses, and they collectively bring a range of expertise and knowledge of different business sectors to Board deliberations, which encourages constructive, challenging and innovative discussions.

NOMINATION COMMITTEE REPORT continued

Nomination Committee activities in 2019/2020

- The internal appointment of Antony Collins as interim Chief Executive.
- The search and selection process for, and the appointment of, Matt Durkin-Jones as interim Chief Financial Officer.
- Commencement of a search and selection process for a new Non-Executive Chairman.
- The induction of the new Executive Directors.
- A review of the Committee's terms of reference.
- The review of the Nomination Committee report for inclusion in the annual report and accounts.
- The performance evaluation of the Committee.

Selection of new Non-Executive Chairman – process

The Committee follows an established and formal process. In general terms, when considering candidates for appointment as Directors of the Company, the Nomination Committee, in conjunction with the Board, drafts a detailed job specification and candidate profile. In drafting this, consideration is given to the existing experience, knowledge and background of Board members as well as the strategic and business objectives of the Group. Once a detailed specification has been agreed with the Board, the Committee would then work with an appropriate external search and selection agency to identify candidates of the appropriate calibre and with whom an initial candidate shortlist could be agreed. The consultants are required to work to a specification that includes the strong desirability of producing a full list of candidates who meet the essential criteria, whilst reflecting the benefits of diversity.

Following the stepping down of Mark Rollins, the Non-Executive Chairman, in March 2020, the Committee initiated a rigorous recruitment process. It has appointed Korn Ferry to ensure a comprehensive search of the market. Korn Ferry is signed up to the Hampton-Alexander voluntary code of conduct on gender diversity and, aside from assisting with recruitment, has no connection with the Group or individual Directors.

Nick Sanders was appointed as a Non-Executive Director and Chairman-elect on 18 August 2020. It is the Board's intention that Nick will take over from Joe Oatley as Non-Executive Chairman after this year's Annual General Meeting.

Non-Executive Directors – terms of appointment

Each Non-Executive Director is appointed for an initial term of three years. The term can be renewed by mutual agreement if the Board is satisfied with the Director's performance and commitment and a resolution to re-elect at the appropriate AGM is successful. The Board will not normally extend the aggregate period of service of any independent Non-Executive Director beyond nine years.

Induction of new Directors

All new Directors go through a tailored induction process. During the year, Antony Collins and Matt Durkin-Jones were appointed. As part of their induction, Antony visited eight sites and Matt visited two sites, meeting with local management and discussing a range of matters, in particular health and safety. Both had planned to make further visits, however this was not possible due to COVID-19 restrictions. Both intend to recommence visits once travel restrictions are lifted.

Board and Committee evaluation

The Board recognises that it needs to regularly monitor performance of both the Board and its Committees. This is achieved through the annual performance evaluation, full induction of new Board members and ongoing Board development activities.

The Code requires that the Board should hold an externally facilitated evaluation at least every three years, which was due in 2019-2020. Due to the Executive changes on the Board at the time the review would have taken place, the Board concluded that it would be preferable to delay the externally facilitated evaluation and instead carried out a comprehensive internal evaluation led by the Non-Executive Chairman as outlined in the statement of corporate governance on page 33. It is expected that an externally facilitated evaluation will take place in 2020-2021.

This review concluded that the Committee had operated effectively. Recommendations for the future included a focus on improving the quality of Board and Committee papers.

A review of the performance of the Non-Executive Chairman and other Non-Executive Directors was facilitated by the Senior Independent Director.

Renewal and re-election

If the Board appoints a Director, that Director must retire at the first AGM following their appointment. That Director may, if they so wish, put themselves forward for election. Antony Collins, Matt Durkin-Jones and Nick Sanders were appointed by the Board after the 2019 AGM and therefore will retire and offer themselves for election by shareholders at the forthcoming AGM.

The Articles provide that one-third of Directors shall retire by rotation each year and are eligible for re-election by shareholders at the AGM. In accordance with the Code, the Company will continue its practice to propose all Directors for annual re-election. Accordingly, Peter Slabbert, David Toohey and I will all retire at the forthcoming AGM and, being eligible, will offer ourselves up for re-election.

I am satisfied that, following the evaluation and review of the Board described above, the Directors offering themselves for election and re-election continue to demonstrate commitment, management and business expertise in their particular role and continue to perform effectively.

However, it is intended that the Company will begin a process of evaluation to review and refresh the Board once a permanent Chairman is in place. Both David Toohey and Peter Slabbert will have completed six years of service on the Board by April 2021 and both have indicated their intention not to seek further re-election beyond that date and to stand down once suitable replacements have been identified.

The election and re-election respectively of each Director is recommended by the Board. Further information of the service contracts for the Executive Directors and letters of appointment for the Non-Executive Directors are set out in the Directors' remuneration report on page 49.

During the year, the Non-Executive Chairman held regular meetings with the Non-Executive Directors in the absence of the Executive Directors, and, separately, the Senior Independent Director held a meeting with the Non-Executive Directors without the Non-Executive Chairman being present, as required by provision 12 of the Code.

Diversity

The Board recognises the importance of diversity in its broadest sense as an important element in maintaining Board effectiveness and a competitive advantage. Diversity of skills, background, knowledge, international and industry experience, gender and ethnicity will be taken into consideration when seeking to make new appointments to the Board and its Committees. All appointments will be made on merit, taking into account suitability for the role, composition and balance of the Board to ensure that the Company has the appropriate mix of skills, experience, independence and knowledge.

The Board recognises the link between diversity and performance and will always proactively consider this when taking decisions regarding appointments and in succession planning.

The Board will always consider suitably qualified applicants for roles from as wide a range as possible, with no restrictions on age, gender, religion, ethnic background or current employment, but whose competencies and knowledge will enhance the Board.

Committee priorities for 2020/2021

- Concluding the appointment of a new Non-Executive Chairman.
- Oversee the external Board evaluation process to be undertaken.
- Leading a process to refresh the Board.
- Further focus on succession planning.



Joe Oatley

Chair of the Nomination Committee

24 August 2020

DIRECTORS' REMUNERATION REPORT



David Toohey
Chair of the Remuneration Committee

Annual Statement

Dear shareholder

On behalf of the Board I am pleased to present the Directors' remuneration report (the "Report") for the year ended 31 March 2020.

The Report has three sections:

- this Annual Statement, which summarises and explains the major decisions and changes in respect of Directors' remuneration;
- a new Directors' Remuneration Policy (the "Policy") for 2020. The current approved Policy is due for renewal at the 2020 AGM, having last been approved at our 2017 AGM. The Committee therefore conducted a comprehensive review of Carclo's Executive remuneration arrangements in 2019 and determined that the current Policy continues to support the Company's strategy and culture and that there was no requirement to materially change it. However, while the Policy is considered suitable for continued use, the mechanics of the long-term incentive element will require to be re-examined, as detailed in the Report. When this work is completed a revised Policy will be issued to shareholders for approval; and
- the Annual Report on Remuneration, providing details of the remuneration earned by the Company's Directors in relation to the year ended 31 March 2020 and how the Policy will be operated for the year to 31 March 2021.

For reasons explained earlier in these annual accounts, Carclo did not achieve the anticipated financial performance during the 2019/20 financial year and the Remuneration Committee (the "Committee") was fully cognisant of this when making judgements as to past and future elements of Board remuneration. These judgements are summarised below.

Leadership changes

The Committee supported the work associated with the changes in Group leadership during the year.

On 27 April 2020, I took on the role of Committee Chair, as it was announced the previous Committee Chair, Joe Oatley, had taken on the role of Non-Executive Chairman of the Company. I have served on the Remuneration Committee of Carclo plc since my appointment in April 2015.

Mark Rollins acted as Executive Chairman throughout the year until it was announced on 25 September 2019 that Antony Collins would join the Board as Interim Chief Executive Officer effective from 1 October 2019.

On 25 September 2019, it was also announced that Ed Watkinson had been appointed as Group Chief Finance Officer Designate with effect from 30 September 2019 and would take over on Sarah Matthew-DeMers' departure as Finance Director, although Ed did not join the Board. Following the announcement made on 20 December 2019, Ed stepped down from his role in January 2020. It was subsequently announced on 21 January 2020 that Matt Durkin-Jones had been appointed with immediate effect as Interim Chief Financial Officer and a Director of the Board. Nick Sanders was appointed as a Non-Executive Director and Chairman-elect on 18 August 2020. It is the Board's intention that Nick will take over from Joe Oatley as Non-Executive Chairman after this year's Annual General Meeting.

A summary of the principal terms of the CEO and CFO's remuneration is set out on page 52. As interim appointments, both the CEO and CFO receive a salary but no other benefits, which, while acceptable for interim appointments, is not consistent with the policy for permanent appointments.

2019/20 financial year – performance and pay Remuneration alignment to strategy

The Remuneration Committee believes in rewarding Carclo's Executives based on their performance and the value created for the Group's shareholders. The variable elements of Executive remuneration during the year were focused on simple and transparent measures of profit before tax, earnings per share ("EPS") growth and net debt. Accordingly, this Report should be read in conjunction with the strategic report.

Salary

As set out in the 2018/19 Directors' remuneration report, an internal review concluded that basic salary for senior employees, including Executive Directors, would not be increased during the financial year 2019/20.

Annual bonus

In respect of the 2019/20 bonus, 100% of the payment was set against demanding financial targets. As can be seen from page 52 of this Report, these targets were not achieved and consequently no bonus was payable in respect of 2019/20.

Neither A Collins nor M Durkin-Jones have participated in the 2019/20 annual bonus scheme. Sarah Matthew-DeMers, who did have a variable element in her remuneration agreement, resigned from the Company in October 2019 and did not receive any bonus.

Long Term Incentive Plan

Performance measures for awards made under the Carclo Performance Share Plan ("PSP") are equally weighted between EPS and TSR targets. As 2019/20 was a disappointing year, there was no vesting in relation to the EPS portion of the 2017 award and no vesting in respect of the total shareholder return ("TSR") portion. Consequently, none of the shares subject to the 2017 PSP awards vested.

None of the current Executive Directors have outstanding options from the 2017 LTIP award.

Implementation of the Remuneration Policy for the 2020/21 financial year

The current Directors' Remuneration Policy was approved by shareholders at the 2017 AGM and a new Directors' Remuneration Policy will be put to shareholders for approval at this year's AGM. In respect of the implementation of the Policy for the 2020/21 financial year, and in light of the recent financial performance of the Group, the Committee agreed that:

- there would not be a basic salary level increase for the Executive Directors. Basic salary level increase awards made to other employees within the Group ranged from 0% to 3%. As discussed above, Mark Rollins acted as Executive Chairman from January 2019 to September 2019, and elected not to receive additional remuneration for assuming the Executive Chairman role. In support of the COVID-19 situation, and in support of other actions taken to mitigate these challenges, the Executive Directors took a 20% cut in salaries for the first quarter of the new financial year;

- there will be no increase in the fees for the Non-Executive Chairman or Non-Executive Directors. In support of the COVID-19 situation, and in support of other actions taken to mitigate these challenges, the Non-Executive Directors took a 20% cut in fees for the first quarter of the new financial year;
- the structure and quantum of the annual bonus continued to be broadly appropriate and aligned to shareholders' interests. For 2020/21 the annual bonus potential will continue to be based on demanding financial targets, however the current interim CEO and interim CFO, as stated earlier, do not have a bonus entitlement; and
- the long-term incentive plan, whereby conditional awards of shares are granted annually under the Carclo PSP with vesting after three years based on earnings per share and relative total shareholder return performance conditions (followed by a two-year holding period), has in the past provided a strong alignment between the senior executive team and shareholders. However, due to the significantly depressed share price the scheme was not considered fit-for-purpose for 2020/21 and has been suspended pending a review by the Remuneration Committee. No LTIP grants will be made in 2020/21.

The Remuneration Committee is mindful of the changes to the 2018 Code and those provisions were taken into account when the new Policy is put to shareholders this year. A number of those provisions have already been adopted:

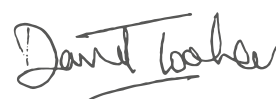
- the Remuneration Committee was responsible for setting senior management pay for the 2020/21 financial year;
- the requirement for a total vesting/holding period of five years for the PSPs was implemented when the new scheme was approved in 2017;
- the Remuneration Committee already has the ability to use discretion to override formulaic outcomes; and
- future recruited Executive Directors will receive a pension contribution rate in line with the UK managerial workforce. The current Interim CEO and Interim CFO, as stated earlier, do not have a pension contribution entitlement.

Alignment with shareholders

The Remuneration Committee is mindful of the interests of the Group's shareholders and is keen to ensure a demonstrable link between reward and value creation. In addition to the matters set out in this report, alignment and shareholder interest is further demonstrated by the operation of share ownership guidelines and the inclusion of malus and clawback provisions for both annual bonus and LTIP awards. However, neither the current interim CEO nor the CFO have any such link to value creation as they do not participate in the annual bonus or LTIP award schemes.

Most importantly, however, is the clear link between executive remuneration and the performance of the business as a whole. As we get beyond the interim Executive Director model the Remuneration Committee will ensure the executive remuneration "mix" will be in line with the Directors' Remuneration Policy and in the best interests of the shareholders and the Company.

The Group acknowledges the support it has received in the past from its shareholders and hopes that this will continue.



David Toohey

Chair of the Remuneration Committee

24 August 2020

DIRECTORS' REMUNERATION REPORT continued

Compliance Statement

This Report has been prepared in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the UK Listing Authority Listing Rules and applies the principles set out in the UK Corporate Governance Code 2018 ("the Code").

The following parts of the Annual Report on Remuneration are audited: the single total figure of remuneration for Directors, including annual bonus and LTIP outcomes for the financial year ending 31 March 2020; scheme interests awarded during the year; and Directors' shareholdings and share interests.

Remuneration payments and payments for loss of office can only be made to Directors if they are consistent with the approved Directors' Remuneration Policy or otherwise approved by ordinary resolution of the Company's shareholders.

Directors' Remuneration Policy

The 2020 Remuneration Policy set out below has not materially changed from the current Policy approved in 2017, other than to improve alignment with the Code. The proposed changes include the introduction of a deferral process of a proportion of the annual bonus and reduction in employer pension contribution levels. Any comments received from shareholders have been taken into consideration when reviewing the Policy.

The policy for the remuneration of the Executive and Non-Executive Directors is set out in the table below, with notes explaining the changes from the policy approved in 2017:

2020 Policy table

Element of Remuneration	Salary
Purpose and Link to Strategy	To provide an appropriate, competitive level of basic fixed income avoiding excessive risk arising from over-reliance on variable income. To attract and retain Executive Directors of superior calibre in order to deliver business growth. Reflects individual skills and experience and role.
Operation	Reviewed annually by the Remuneration Committee, normally effective 1 April. Takes periodic account of similar roles at companies with similar characteristics and sector comparators, individual experience and performance, Company performance and wider pay levels and salary increases across the Group.
Maximum	No prescribed maximum annual increase, but will normally be in line with general increase for the wider workforce. In exceptional circumstances, the Committee may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role to take account of relevant market movements and/or the appointment of new Executive Directors.
Performance Targets	N/A
No change to policy	
Element of Remuneration	Other benefits
Purpose and Link to Strategy	Provides market-competitive benefits. Provides insured benefits to support the individual and their family during periods of ill health, accident or death.
Operation	Benefits provided through third party providers. Includes car allowance, life insurance, private medical insurance and permanent disability insurance. Other benefits may be provided where appropriate.
Maximum	Benefits may vary by role and individual circumstance and are reviewed periodically. Benefits have not exceeded 10% of salary in the last three financial years and are not anticipated to exceed this over the next three financial years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Company's control have materially changed (e.g. increases in medical premiums).
Performance Targets	N/A
No change to policy	

Element of Remuneration	Bonus
Purpose and Link to Strategy	Incentivises annual delivery of short-term financial and strategic business goals and business strategy. Maximum bonus only payable for achieving demanding targets.
Operation	Performance measures, targets and weightings are set at the start of the year. Payments are calculated based on an assessment of performance at the end of the year. Paid in cash with payment of 33% of any bonus earned deferred by two years. Not pensionable. Clawback and malus provisions apply in the event of material misstatement of results and/or an error in the calculation of the bonus outcome.
Maximum	100% of salary CEO. 75% of salary CFO.
Performance Targets	Performance is assessed on an annual basis by reference to financial measures as well as the achievement of personal/ strategic objectives. The current financial performance measure is Underlying Profit (defined as profit before all exceptional items), however the Committee has discretion to adjust the performance measures and weightings each year according to strategic priorities, although the weighting on financial measures will be at least 75%. The bonus for personal/strategic performance is payable only if, in the opinion of the Remuneration Committee, there was an improvement in the underlying financial and operational performance of the Group during that financial year. The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: <ul style="list-style-type: none"> • fair and reasonable in the circumstances; and • a more appropriate measure of performance and not materially less challenging than the original condition would have been.
Change to policy – payment of 33% of any bonus earned is deferred for two years.	
Element of Remuneration	Long Term Incentive Plan
	(awards made under the Carclo Performance Share Plan)
Purpose and Link to Strategy	To motivate and retain Executives, reward delivery of the Company strategy and long-term goals and to help align Executive and shareholder interests. Aligned to main strategic objectives of delivering sustainable profit growth and shareholder return.
Operation	Annual grant of nil cost options or performance shares which normally vest after at least three years subject to continued service and performance targets. At the start of each performance cycle, the Committee sets performance targets which it considers to be appropriately stretching. Awards made to Executive Directors will be subject to a “holding period” under which for the five-year period following the date of grant the Executive Directors will not be permitted to sell shares subject to the awards (other than to fund any exercise price payable or pay any tax liability arising on vesting) and limited exceptional circumstances (such as death). Clawback and/or malus may be applied up to seven years from the grant of awards in any of the following circumstances: <ol style="list-style-type: none"> (a) if any of the audited financial results for the Company are materially mis-stated; (b) if the Company, any Group company and/or a relevant business unit has suffered serious reputational damage as a result of the relevant participant’s misconduct or otherwise; (c) there has been serious misconduct on the part of the relevant participant; or (d) in such other circumstances, where the Committee determines that malus or clawback should apply.
Maximum	100% of salary normal limit. 200% of salary exceptional limit – e.g. recruitment.
Performance Targets	LTIP performance measured over three years. Performance measures are currently EPS and TSR weighted equally, however the Committee has discretion to adjust the performance measures and weightings to ensure they continue to be linked to the delivery of Company strategy. During the five-year period following the date of grant the Executive Directors cannot sell the shares subject to the awards (other than to pay the tax liability arising on vesting). The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: <ul style="list-style-type: none"> • fair and reasonable in the circumstances; and • a more appropriate measure of performance and not materially less challenging than the original condition would have been.
No change to policy – however, this is under review and the current scheme is suspended. This may result in replacement with a more appropriate scheme, which would be put to shareholders in that event.	

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy continued

2020 Policy table continued

Element of Remuneration	Pension
Purpose and Link to Strategy	Provides market-competitive retirement benefits. Opportunity for Executives to contribute to their own retirement plan.
Operation	Executive Directors receive a contribution to HMRC-approved personal pension arrangement or a payment in lieu of pension contributions.
Maximum	Executive Directors will receive an employer contribution to pension in line with the UK management workforce.
Performance Targets	N/A
	Change to policy - the Company contribution to Executive Director pensions has been reduced to align with the UK management workforce.
Element of Remuneration	Share ownership guidelines
Purpose and Link to Strategy	To provide alignment between Executives and shareholders.
Operation	Executive Directors are required to build and maintain a shareholding equivalent to one year's base salary through the retention of vested share awards or through open market purchases until the guideline is met.
Maximum	100% of salary holding for Executive Directors. The Committee will monitor progress against this requirement on an annual basis. A reasonable time limit is considered to be five years. Directors will be required to retain 50% of post-tax PSP vestings as shares for the first five years of their employment. If the required holding has not been achieved by that point the percentage will increase to 75%.
Performance Targets	N/A
	No change to policy - Executive Directors ordinarily rely heavily on earning annual share awards under the LTIP in order to comply with this obligation. As the Company has had to suspend the LTIP scheme with a view to replacing it (with any proposed change being issued for shareholder approval) this section of the policy is left unchanged pending the result of that process.
Element of Remuneration	Service agreements - notice periods
Purpose and Link to Strategy	
Operation	
Maximum	Service contracts will not contain notice periods of more than twelve months.
Performance Targets	N/A
	No change to policy

Element of Remuneration	Non-Executive Directors' fees
Purpose and Link to Strategy	Reflects time commitments and responsibilities of each role. Reflects market-competitive fees.
Operation	Reviewed annually by the Board, normally effective 1 April. Chairman and Non-Executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-Executive Directors for additional services such as chairing the Audit and Remuneration Committees. Fee levels are benchmarked with reference to sector comparators and FTSE-listed companies of similar size and complexity. The required time commitment and responsibilities are taken into account when reviewing fee levels. All fees are paid in cash.
Maximum	No prescribed maximum annual increase, but it is expected that fee increases will normally be in line with general increase for the wider workforce. However, in the event that there is a material misalignment with the market or change in complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.
Performance Targets	Non-Executive Directors do not participate in variable pay arrangements or receive any pension provision.
No change to policy	

Notes to the Policy table

Performance measurement selection

The choice of "Underlying Profit" and cash management as the financial performance metrics applicable to the annual bonus scheme is designed to link performance to strategy and the business plan. The Committee believes that performance measures set in respect of the annual bonus should be appropriately challenging and tied to both the delivery of profit growth, cash management and specific individual objectives.

The TSR and EPS performance conditions applicable to the Carclo PSP were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders.

The Committee operates the Carclo PSP in accordance with the rules of that plan, Listing Rules, company law and the relevant tax legislation. The Committee retains discretion over certain areas relating to the operation and administration of the Carclo PSP consistent with market practice. As mentioned above, this scheme is suspended for 2020/21 pending review and possible replacement.

As highlighted above, the Company has a share ownership policy which requires the Executive Directors to build up and maintain a target holding equal to 100% of base salary. Details of the extent to which the Executive Directors had complied with this Policy as at 31 March 2020 are set out on page 56. As both Executive Directors are contracted on an interim capacity this element of policy does not apply to them. As mentioned previously, it is the Board's intent to regularise Executive Director remuneration as soon as is practicable in 2020/21 following the conclusion of negotiations regarding the Company finance structure.

Remuneration policy for other employees

The following differences exist between the Company's Policy for the remuneration of Executive Directors as set out above and its approach to the payment of employees generally:

- a lower level of maximum annual bonus opportunity generally applies to employees below Board level;
- Executive Directors carry an obligation to build and maintain a sizeable share-ownership position. No such obligation is held by other employees;
- benefits offered to other employees generally comprise provision of healthcare and company car benefits where required for the role or to meet market norms; and

iv) participation in the Carclo PSP (LTIP) is limited to the Executive Directors and certain selected senior managers.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals and for the diverse international employment settings wherein we operate. This is of great importance given the highly cost-competitive demands of the business sectors within which Carclo competes. They also reflect the fact that, in the case of the Executive Directors and senior executives, a greater emphasis tends to be placed on performance-related pay.

Remuneration Policy for the Non-Executive Chairman and Non-Executive Directors

The Board determines the Remuneration Policy and level of fees for the Non-Executive Directors, within the limits set out in the articles of association. When doing so, an individual is not allowed to participate in the discussions relating to their own remuneration. The Remuneration Committee recommends the remuneration policy and level of fees for the Non-Executive Chairman to the Board.

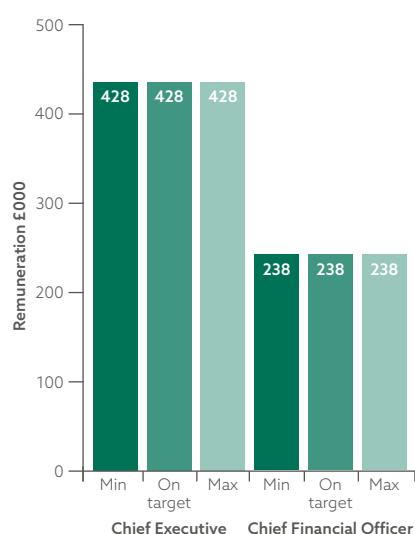
The Policy table summarises the key components of remuneration for the Non-Executive Chairman and Non-Executive Directors.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy continued

Pay scenario charts

The graphs below provide estimates of the potential future reward opportunity for the two Executive Director positions for the 2020/21 financial year, and the potential split between different elements of remuneration under three different scenarios: "Minimum", "On Target" and "Maximum" performance.



The amounts shown in the table above represent:

- **Chief Executive:** the amount to be paid to A Collins from 1 April 2020 to 31 March 2021 (£427,500). As an interim, A Collins receives a fixed salary only and is not entitled to any other benefits, bonus or LTIP. A Collins took a 20% cut in salary for the first quarter of the new financial year; and
- **Chief Financial Officer:** the amount to be paid to M Durkin-Jones from 1 April 2020 to 31 March 2021 (£237,500). As an interim, M Durkin-Jones receives a fixed salary only and is not entitled to any other benefits, bonus or LTIP. M Durkin-Jones took a 20% cut in salary for the first quarter of the new financial year.

As neither of the above Directors participated in LTIP, there is no share scheme in which they participate which is affected by a share price rise.

Approach to remuneration upon recruitment

The remuneration package for a new permanent Executive Director – i.e. basic salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and would reflect the experience of the individual. The salary for a new Executive may be set below the normal market rate, with phased increases over the first few years, as the Executive gains experience in their new role. Annual bonus potential will be limited to 100% of salary for the Chief Executive and 75% of salary for the Chief Financial Officer. Under current policy long-term incentives will be limited to 100% of salary in both cases (200% of salary in exceptional circumstances), however as noted in the proposed new Directors' Remuneration Policy the LTIP is suspended pending review and possible replacement. It is the intent of the Remuneration Committee to ensure that any such new scheme presented to shareholders would continue to emphasise alignment of Executive and shareholder interests.

In addition to normal remuneration elements, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished by a new Executive Director as a result of them leaving their former employer ("buyout" awards).

In making such buyout awards the Committee would take account of, where possible, the nature, time horizons and performance requirements (including the likelihood of those conditions being met) of the forfeited awards. Any such "buyout" awards will typically be made under the existing annual bonus and LTIP scheme, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2R to make awards using a different structure. Any "buyout" awards would have a fair value no higher than the awards forfeited. Shareholders will be informed of any such payments at the time of appointment.

For an internal Executive Director appointment, the Remuneration Committee will be consistent with the Policy adopted for external appointees detailed above. Any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

In the case of hiring or appointing a new Non-Executive Director, a base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board Committee or being the Senior Independent Director.

Service contracts

The Executive Directors are employed under contracts of employment with Carclo. The principal terms of the Executive Directors' service contracts are as follows:

Executive Director	Position	Effective date of contract	Notice period from Company	Notice period from Director
A Collins	Chief Executive	1 October 2019	1 month ¹	1 month ¹
M Durkin-Jones	Chief Financial Officer	21 January 2020	1 month ¹	1 month ¹

1. After a fixed six-month period.

Non-Executive Directors are appointed under arrangements that may generally be terminated at will by either party without compensation and their appointment is reviewed annually.

Letters of appointment are provided to the Non-Executive Chairman and Non-Executive Directors. Non-Executive Directors have letters of appointment effective for a period of three years and are subject to annual re-election at the AGM.

Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) are set out below:

Non-Executive Director	Date of most recent letter	Unexpired term as at 31 March 2020	Date of appointment	Last re-appointment at AGM
P Slabbert	1 April 2018	To 2020 AGM	1 April 2015	25 September 2019
D Toohey	1 April 2018	To 2020 AGM	1 April 2015	25 September 2019
J Oatley ¹	20 July 2018	To 2020 AGM	20 July 2018	25 September 2019
N Sanders	17 August 2020	To 2020 AGM	18 August 2020	n/a

1. Currently acting as interim Non-Executive Chairman.

Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

This section has been updated to reflect the position as at 18 August 2020 in respect of the Directors' service contracts and letters of appointment. The position as at the time the Remuneration Policy was approved is set out in the Remuneration Policy which is available on the Company's website.

Exit payment policy

The Company's policy is to limit any payment made to a departing Director to contractual arrangements and to honour any pre-established commitments.

As part of this process, the Committee will take into consideration the Executive Director's duty to mitigate their loss.

It is Company policy that Executive service contracts should not normally contain notice periods of more than twelve months.

There are no provisions within the contracts to provide automatic payments in excess of payment in lieu of notice upon termination by the Company and no predetermined compensation package exists in the event of termination of employment. Payment in lieu of notice would include basic salary, pension contributions and benefits. There are no provisions for the payment of liquidated damages.

Annual bonuses may be payable with respect to the period of the financial year served by the departing Executive with the Committee ordinarily providing that such bonus will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the 2017 PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury or disability or other circumstances at the discretion of the Committee, "good leaver" status may be applied. For good leavers, awards will normally vest on the normal vesting date, albeit that the Committee has the discretion to determine that the awards may vest at an earlier date. In determining the extent of any such vesting the Committee will take account of the extent to which the relevant performance conditions have been satisfied and the proportion of the performance period actually served.

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy continued

Malus and clawback

Awards granted under the Company's Short-Term Incentive ("STI") and PSP schemes are subject to malus and clawback provisions, enabling an adjustment to an employee's variable pay awards if warranted by the occurrence of a "trigger event". The type of events that may constitute a trigger event are as follows:

- circumstances justifying the summary dismissal of an employee from his office or employment with any member of the Group including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust;
- circumstances where an employee has participated in or is responsible for conduct which resulted in significant losses to any member of the Group;
- the Company has become aware of any material wrongdoing on the part of an employee;
- an employee has acted in a manner which in the opinion of the Board has brought or is likely to bring any member of the Group into material dispute or is materially adverse to the interests of any member of the Group;
- any material breach of an employee's terms and conditions of employment, or material breach of a fiduciary duty owed to any member of the Group;

- any material violation of Company policy, rules or regulation, or a failure to meet appropriate standards of fitness and propriety;
- any material failure of risk management;
- any other conduct which is considered to be misconduct; or
- the inaccurate reporting of any accounts, financial data or such other information resulting in such accounts, financial data or other information being, in the opinion of the Remuneration Committee (acting fairly and reasonably), either materially corrected and/or requiring any future accounts, financial data or information having to include write-downs, adjustments or other corrective items in order to address the inaccuracy.

The application of malus (i.e. partial or full lapse of an unvested incentive opportunity) will be possible over the relevant performance period and holding period; the application of clawback (i.e. the partial or full repayment of a vested-and-paid incentive award) will be possible for a period of 18 months from the end of the relevant performance period.

The Remuneration Committee will consider the most appropriate method through which to apply an adjustment to pay at its absolute discretion. In most cases, the simplest approach would be in the following sequence:

1. reduction of in-flight annual bonus and/or PSP awards not yet performance-tested (i.e. malus);
2. reduction of deferred bonus or vested PSP (i.e. malus); and
3. request for the repayment of an already-paid annual bonus and/or PSP award (i.e. clawback).

An employee not in role at the time of the trigger event should be excluded from an adjustment except in the instance where the severity of the event warrants a collective adjustment across the entire business area or Company regardless of responsibility.

Annual Report on Remuneration

The following section provides details of how Carclo's Remuneration Policy was implemented during the financial year ending 31 March 2020.

Remuneration Committee membership in 2020

The Remuneration Committee currently comprises of P Slabbert, D Toohey and J Oatley and was chaired by J Oatley until his appointment as interim Non-Executive Chairman of the Company on 27 April 2020. The Committee is currently chaired by D Toohey. M Rollins was a member until 24 March 2020 when he stepped down from the Board.

The Committee met seven times during the financial year ended 31 March 2020 and individual Committee members attended all meetings held during the year under review.

During the year, the Committee sought internal support from the Chief Executive and Chief Financial Officer who attended Committee meetings by invitation from the Non-Executive Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Chief Executive and Chief Financial Officer were not present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as Secretary to the Committee.

Independent advice

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. During the year no fees were paid to Mercer Limited in respect of general advice around levels of Executive remuneration.

Summary of shareholder voting on remuneration matters

The following table shows the results of the shareholder vote on the 2018/19 remuneration report at the 2019 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	28,470,644	99.6
Against	111,441	0.4
Total votes cast (excluding withheld votes)	28,582,105	100.00
Votes withheld	1,065,150	
Total votes cast (including withheld votes)	29,647,235	

The following table shows the results of the shareholder vote on the Remuneration Policy at the 2017 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	44,766,409	96.2
Against	1,785,647	3.8
Total votes cast (excluding withheld votes)	46,552,056	100.00
Votes withheld	55,650	
Total votes cast (including withheld votes)	46,607,706	

Executive Director changes

On 1 October 2019, A Collins was appointed as interim Chief Executive Officer. Sarah Matthews-DeMers, Group Finance Director, resigned from the Board on 23 October 2019 ahead of her departure from the Group on 31 October 2019. M Durkin-Jones was appointed as interim Chief Financial Officer on 21 January 2020.

A Collins – remuneration details

A Collins was appointed as interim Chief Executive Officer on 1 October 2019.

The terms of his appointment can be summarised as follows:

- annual salary of £450,000; and
- no entitlement to bonus, LTIP awards, pension contributions or other benefits.

M Durkin-Jones – remuneration details

M Durkin-Jones was appointed as interim Chief Financial Officer on 21 January 2020.

The terms of his appointment can be summarised as follows:

- annual salary of £250,000; and
- no entitlement to bonus, LTIP awards, pension contributions or other benefits.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration continued

Executive Director changes continued

S Matthews-DeMers – resignation from office

S Matthews-DeMers left Carclo plc for a new role on 31 October 2019, and was entitled to her salary and contractual benefits up to her date of leaving. She did not receive any compensation for loss of office, was not entitled to benefit from any bonus award for 2019/20 and her PSP award and unvested portion of her buyout award lapsed on her ceasing employment.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2020 and the prior year:

Name	Salary		Payment for loss of office		Benefits ¹		Annual bonus		LTIP and other share-based payments		Pension ²		Total	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
A Collins ³	225	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	225	N/A
M Durkin-Jones ⁵	50	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50	N/A
M Rollins ⁴	45	19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	45	19
C Malley	N/A	254	N/A	N/A	N/A	25	N/A	N/A	N/A	N/A	N/A	27	N/A	306
S Matthews-DeMers ⁵	131	153	N/A	N/A	8	8	N/A	N/A	N/A	N/A	20	23	159	184

1. Benefits comprise private medical cover, travel and car allowance.

2. Payment in lieu of pension contributions are in line with the Remuneration Policy.

3. A Collins salary relates to the period from 1 October 2019 when he became an Executive Director.

4. M Rollins salary relates to the period to 31 October 2019 whilst acting as an Executive Director. The amount shown represents his Chairman fee only for the period as he elected not to receive any additional remuneration for assuming executive responsibilities.

5. S Matthews-DeMers salary relates to the period to 31 October 2019 when she left the Group. M Durkin-Jones salary relates to the period from 21 January 2020 when he became an Executive Director. The salary payment of the interim Chief Finance Officer Designate is not included as his appointment was not a Board appointment.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2020 and the prior year:

Non-Executive Director	Base fee £		Committee fees £		Total £	
	2020	2019	2020	2019	2020	2019
M Derbyshire	N/A	26,743	N/A	N/A	N/A	26,743
M Rollins	43,168	54,406	N/A	1,844	44,775	56,250
P Slabbert	36,769	36,769	8,675	8,675	45,444	45,444
J Oatley	36,769	25,688	6,175	4,314	42,944	30,002
D Toohey	36,769	36,769	N/A	N/A	36,769	36,769

Incentive outcomes for the year ended 31 March 2020 (audited)

Annual performance bonus outcome 2019/20

No annual performance bonus was paid to Executive Directors in 2019/20.

S Matthews-DeMers resigned from the Board on 23 October 2019 and did not receive any amounts in respect of the 2019/20 annual bonus.

M Rollins waived the opportunity to participate in the scheme when he assumed Executive responsibilities.

Neither A Collins nor M Durkin-Jones have participated in the 2019/20 annual bonus scheme.

2017 LTIP vesting

The LTIP award granted on 14 July 2017 was based on the performance over the three years ended 31 March 2020 and metrics were 50% earnings per share and 50% total shareholder return. Due to the underperformance of both metrics over the three-year period, the Committee confirmed this resulted in 0.0% vesting for the 2017 award.

None of the current Executive Directors have outstanding options from the 2017 LTIP award.

Scheme interests awarded in the year ended 31 March 2020 (audited)

2019/2020 LTIP

No grant of conditional share awards was made in 2019/2020.

Implementation of remuneration policy for the year ending 31 March 2021

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2021 is set out below:

Basic salary

As reported in the Annual Statement on pages 42 and 43, the Remuneration Committee agreed that there will be no increases to the Executive Directors' base salaries.

	2020/2021	2019/2020	% increase
A Collins	£450,000	£450,000	0.0
M Durkin-Jones	£250,000	£250,000	0.0

A Collins joined the Board on 1 October 2019. He was paid an annual salary of £450,000, meaning that he earned £225,000 pro-rated for the financial year in question.

M Durkin-Jones joined the Board on 21 January 2020. He will be paid an annual salary of £250,000, meaning that he earned £50,321 pro-rated for the financial year in question.

In support of the COVID-19 situation, and in support of other actions taken to mitigate these challenges, the Executive Directors took a 20% cut in salaries for the first quarter of the new financial year.

Below Executive Director level, basic pay increases are limited to minimal cost-of-living adjustments, typically in the range 0% to 3.0%, apart from cases of local statutory requirements, promotions or other exceptional reasons.

Pension arrangements

A Collins and M Durkin-Jones are not entitled to employer pension contributions.

Annual bonus

Currently, neither interim Executive Director has an annual bonus entitlement. It is the intent of the Remuneration Committee to regularise the remuneration mix for Executive Directors following the successful conclusion of the negotiations regarding the Company's corporate financing.

In line with the Directors' Remuneration Policy it would be anticipated that the maximum bonus potential for the year ending 31 March 2021 would be at 100% of salary for the CEO and 75% of salary for the CFO (pro-rated for the period of the year remaining). It is likely that all of the bonus will be based on financial measures, which will continue to include a net debt-based measure in addition to the historical profit-based measures. The Remuneration Committee reserves the discretion over agreeing some element of personal objective should that be deemed to be in the best interests of the Company and shareholders. Maximum bonus will only be payable when the financial results of the Group significantly exceed expectations and any bonus will be payable only if, in the opinion of the Remuneration Committee, there is an improvement in the underlying financial and operating performance of the Group during the year ending 31 March 2021. Clawback and malus provisions will apply for all Executive Directors.

Proposed target levels have been set to be challenging relative to the 2020/21 business plan, although specific targets are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time the Committee believes that the disclosure of targets in the year following the determination of bonuses is appropriate as disclosed above.

Long-term incentives

A Collins and M Durkin-Jones, in line with their interim Executive contracts, will not receive a grant of awards under the PSP.

As noted previously, the Remuneration Committee has determined that the LTIP is no longer fit for purpose. It has been suspended and no awards of PSP shares will be made under this scheme in 2020/21. It is the intent of the Remuneration Committee to work to develop a replacement scheme. Should the Committee develop an appropriate replacement scheme it will be presented to shareholders for approval and this may result in the issuing of long-term incentives following such process within 2020/21.

The Committee will ensure that any new scheme will work to closely align Executive Directors' long-term interests with those of the Company and the shareholders. As set out in the Directors' Remuneration Policy, awards will be subject to malus and clawback provisions, and a requirement to hold the shares subject to awards for five years from date of grant except in exceptional circumstances or to pay any tax liability arising on vesting.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration continued

Non-Executive Chairman and Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including, where applicable, the chairmanship of Board Committees. A summary of current fees is shown in the table below.

Given the financial performance of the Group, it was concluded that the fee levels for the Non-Executive Chairman and Non-Executive Directors would be left unchanged. Fee levels for the 2020/21 financial year can be summarised as follows:

Provision	2020/2021	2019/2020	% increase
Chairman	£89,551	£89,551	0.0
Base fee	£36,769	£36,769	0.0
Senior Independent Director fee	£2,500	£2,500	0.0
Committee Chair fees	£6,175	£6,175	0.0

In support of the COVID-19 situation, and in support of other actions taken to mitigate these challenges, the Non-Executive Directors took a 20% cut in fees for the first quarter of the new financial year.

Percentage change in Chief Executive remuneration

The table below shows the percentage change in the Chief Executive's salary, benefits and annual bonus between the financial year ended 31 March 2019 and 31 March 2020 compared to that of the total amounts for all UK employees of the Group for each of these elements of pay. As mentioned previously, the remuneration mix for the permanent CEO will be normalised once the Company makes such appointment. The table below reflects the cash-only remuneration contract of the interim-CEO incumbent.

	2020 £000	2019 £000	% change
Salary			
Chief Executive	270	273	(1.1%)
UK employee average	29	30	(3.3%)
Benefits			
Chief Executive	0	25	(100.0%)
UK employee average	1	1	0.0%
Annual bonus¹			
Chief Executive	0	0	N/A
UK employee average	0	0	N/A
	Number	Number	
Average number of UK employees	688	699	(1.6%)

UK employees have been selected as the most appropriate comparator pool, given the largest number of Group employees and the Group's headquarters are located in the UK.

M Rollins assumed the role of Executive Chairman until A Collins was appointed as new interim Chief Executive on 1 October 2019. Consequently, the full-year data is a combination of both, reflecting the period in which they each acted as Chief Executive.

Note 1: Total annual bonus awards under the Group's short-term incentive scheme increased from £68k to £80k in total for all UK participants.

Relative importance of spend on pay

The table below shows the Group's actual expenditure on pay (for all employees) relative to retained (losses)/profits for the financial years ending 31 March 2019 and 31 March 2020.

	2020 £000	2019 £000	% change
Staff costs	33,242	31,955	4.0%
Retained loss	(1,900)	(2,939)	(35.4%)
	Number	Number	
Number of employees	1,077	1,081	(0.4%)

Relative performance

The graph below compares the value of £100 invested in Carclo shares, including re-invested dividends, with the FTSE Small Cap index over the last ten years. This index was selected because it is considered to be the most appropriate against which the total shareholder return of Carclo plc should be measured.

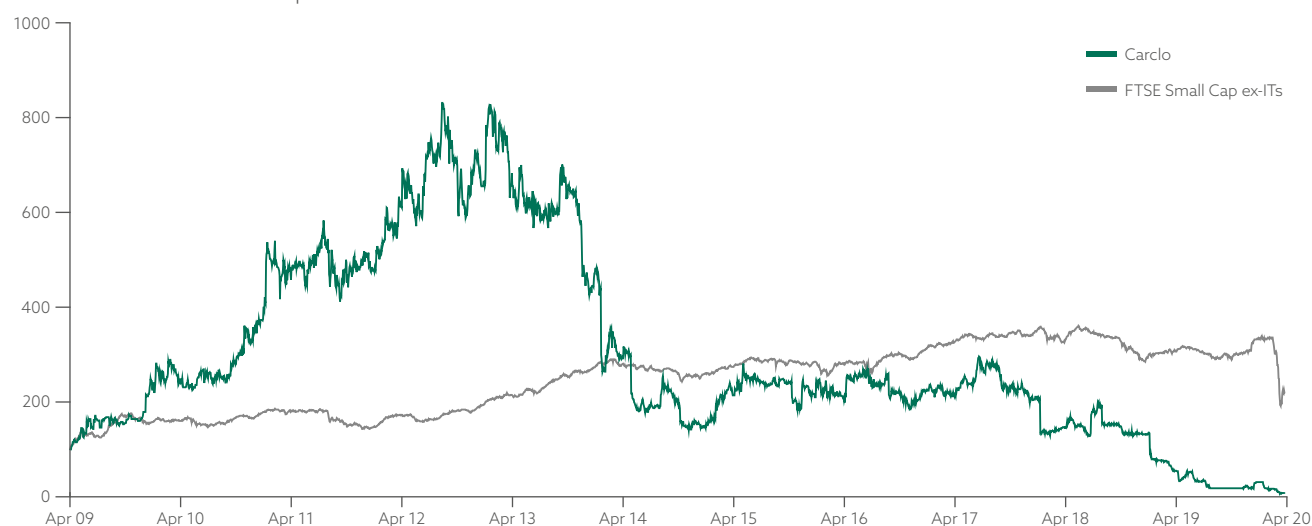


Table of historical data (Chief Executive)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Chief Executive single figure of remuneration (£000)	491	249	2,764	328	538	462	836	449	325	270
Annual bonus payout (as % of maximum)	—	—	—	—	71	21	96	—	—	—
PSP vesting (as % of maximum)	50	50	100	—	—	50	50	32.5	—	—

Figures for 2011 to 2013 relate to I Williamson who was succeeded as Chief Executive by C Malley on 27 March 2013. C Malley resigned as Chief Executive and stood down from the Board on 11 January 2019. M Rollins assumed the role of Executive Chairman until A Collins was appointed as new interim Chief Executive on 1 October 2019. Consequently, the full-year data is a combination of both, reflecting the period in which they each acted as Chief Executive.

Chief Executive pay ratio reporting

Outlined below is the ratio of the Chief Executive's single figure of total remuneration for 2019/2020 expressed as a multiple of total remuneration for UK employees.

The three ratios referenced below are calculated by reference to the employees at the 25th, 50th and 75th percentile. We additionally disclose the total pay and benefits and base salary of the employees used to calculate the ratios.

In time, the table below will build to represent ten years of data:

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019/2020	Option A	12 : 1	10 : 1	7 : 1

Full-year pay data for the 2019/2020 financial year has been used to calculate the ratios.

The employee data used to calculate the ratios is as follows:

	25th percentile	Median	75th percentile
Total pay and benefits	£23,437	£26,619	£40,113
Base salary	£20,450	£23,226	£35,000

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration continued

Chief Executive pay ratio reporting continued

Of the three options set out in the new legislation for calculating the Chief Executive pay ratio, we have opted to use Option A to calculate the pay ratio.

The individuals represented at the 25th, median and 75th percentile are all colleagues within our CTP Mitcham facility. The nature of our workforce and demographics are such that we have over 71% of our employees working in our CTP Mitcham facility.

As required in the regulations, we confirm our belief that the median pay ratio for the year is consistent with the Company's wider pay, reward and progression policies affecting our employees. Our pay reflects the key market in which we operate. We also continue to support our colleagues in an environment that is driven by our core culture and values.

Changes to the basic salary of our Chief Executive have consistently been in line with the base pay award given to our employees over the last five years.

Directors' interests (audited)

The interests of the Directors and their connected persons in the ordinary shares of the Company as at 31 March 2020 were as follows:

	31 March 2020		31 March 2019	
	Ordinary shares	Options	Ordinary shares	Options
S Matthews-DeMers ¹	—	—	20,450	—
M Rollins ²	—	—	100,000	—
P Slabbert	30,000	—	30,000	—
D Toohey	—	—	—	—
J Oatley	—	—	—	—
A Collins ³	—	—	N/A	N/A
M Durkin-Jones ⁴	—	—	N/A	N/A

1. S Matthews-DeMers resigned as a Director on 23 October 2019.

2. M Rollins stepped down as a Director on 24 March 2020.

3. A Collins was appointed as a Director on 1 October 2019.

4. M Durkin-Jones was appointed as a Director on 21 January 2020.

There have been no changes in the Directors' interests since the year end.

Directors' shareholding requirement (audited)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 March 2020:

Director	Shares held			Shareholding requirement (% salary)	Current shareholding (% salary)	Prior year shareholding (% salary)
	Owned outright or vested	Vested but subject to holding period	Unvested and subject to vesting conditions			
A Collins	—	—	—	0.0	0.0	N/A
M Durkin-Jones	—	—	—	0.0	0.0	N/A

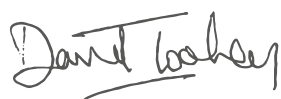
A Collins and M Durkin-Jones are employed under a salary-only interim employment contract and as such are not obligated to honour a shareholding requirement.

Directors' interests in shares in Carclo long-term incentive plans (audited)

No share awards under the Carclo PSP have been made to the current Executive Directors.

Approval of the Directors' remuneration report

The Directors' remuneration report set out on pages 42 to 56 was approved by the Board of Directors on 24 August 2020 and signed on its behalf by David Toohey, Chair of the Remuneration Committee.



David Toohey

Chair of Remuneration Committee

24 August 2020

DIRECTORS' REPORT

The Directors' report is required to be produced by law. Pages 57 to 59 inclusive (together with the sections of the annual report incorporated into these pages by reference) constitute a Directors' report that has been drawn up and presented in accordance with applicable law. The Directors' report also includes certain disclosures that the Company is required to make by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and Listing Rules.

Strategic report

The strategic report required by the Companies Act 2006 can be found on pages 01 to 27. This report, together with the Chairman's statement on pages 04 and 05, sets out the Company's business model and strategy, contains a review of the business and describes the development and performance of the Group's business during the financial year and its position at the end of the year. It also contains on pages 23 to 25 a description of the principal risks and uncertainties facing the Group.

FCA's Disclosure Guidance and Transparency Rules

For the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 4.1.5R (2) and DTR 4.1.8R), this Directors' report, the strategic report on pages 01 to 27 and the Chairman's statement on pages 04 and 05 together comprise the "management report".

Statement of corporate governance

The statement of corporate governance on pages 32 to 35 provides the corporate governance statement required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 7.2.1). The statement of corporate governance forms part of this Directors' report and is incorporated into it by cross-reference.

Going concern

Net debt as of 31 March 2020 was £27.4 million, representing a decrease from £38.5 million at 31 March 2019. The decrease was driven in the main by the realisation of assets and proceeds upon disposal of the LED division.

On 14 August 2020 we concluded a restructuring with the Company's main creditors, being its bank, HSBC, and the pension scheme, to secure the continued support of those parties through to July 2023.

The debt facilities available to the Group comprise a term loan of £34.5 million, of which £3.0 million will be amortised by 30 September 2022, and a £3.5 million revolving credit facility maturing on 31 July 2023.

Further, a schedule of contributions has been agreed with the pension trustee.

The bank facilities are subject to four covenants to be tested on a quarterly basis: underlying interest cover; net debt to underlying EBITDA; core subsidiary underlying EBITA; and core subsidiary revenue.

In addition, the pension scheme has the benefit of a fifth covenant to be tested on 1 May each year up to and including 2023. In FY21 the test is met by the payment of the agreed schedule of contributions. In subsequent years any shortfall of pension deficit recovery contributions when measured against PPF priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities) are to be met by a combination of cash payments to the scheme plus a notional (non-cash) proportion of increase in the underlying value of the CTP and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Directors have prepared cash flow and covenant forecasts to cover the twelve-month period from the date of signing these financial statements taking into account the Group's available debt facilities and the terms of the arrangements with the bank and the pension scheme.

The Directors have performed sensitivity testing based on a number of reasonably possible scenarios including taking into account the current view of reasonably possible impacts of the COVID-19 pandemic on the Group, covering reductions in customer demand; impacts to manufacturing operations arising from outbreaks impacting the local workforce; national and regional lockdown measures; and other indirect impacts to supply chains arising from the pandemic. The Directors also considered the potential impact to the Group of a no deal Brexit with the possibility of increases to costs arising from changes to import and export tariffs as well as additional administrative costs to deal with changes to how our UK-based operations process transactions with the EU after 1 January 2021.

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that the Group will continue to operate within the facilities available to it and to adhere to the covenant tests to which it is subject throughout the twelve-month period from the date of signing the financial statements and as such it has adopted the going concern assumption in preparing the financial statements.

Profits and earnings

The profit from continuing operations of the Group before taxation, after charging net interest of £2.2 million (2019: £1.9 million), amounted to £0.9 million compared with a loss of £0.0 million for the previous year. After taxation the earnings from continuing operations per ordinary 5 pence share was a loss of 2.6 pence compared with a loss of 4.0 pence for the previous year.

Statutory losses of the Group amounted to £11.4 million compared with a loss of £18.6 million for the previous year. After taxation the earnings from continuing operations per ordinary 5 pence share was a loss of 15.5 pence compared with a loss of 25.4 pence for the previous year.

Post balance sheet events

As announced on 14 August 2020 the Group concluded a new financing agreement with the lending bank and pension trustees which provides lending facilities through to 31 July 2023 alongside a schedule of agreed pension deficit reduction contributions for the same period.

DIRECTORS' REPORT continued

Share capital

At 31 March 2020, the Company's issued share capital comprised 73,419,193 ordinary shares of 5 pence each. Details of the changes in issued share capital during the year are set out in note 28 to the accounts. The information in note 28 is incorporated into this Directors' report by reference and is deemed to form part of this report.

Each share carries equal rights to dividends, voting and return of capital on the winding up of the Company as set out in the Company's articles of association. There are no restrictions on the transfer of securities in the Company and there are no restrictions on voting rights or deadlines, other than those prescribed by law or by the articles of association, nor is the Company aware of any arrangement between holders of its shares which may result in restrictions on the transfer of securities or voting rights.

Share capital authorities

The Directors were granted a general authority at the 2019 Annual General Meeting (the "2019 AGM") to allot shares in the capital of the Company up to an aggregate nominal value of £1,211,417 (representing approximately 33% of the issued share capital prior to the 2019 AGM). This authority is due to lapse at the Annual General Meeting in 2020 (the "2020 AGM").

At the 2019 AGM the Directors also requested authority to allot shares for cash on a non-pre-emptive basis in any circumstances up to a maximum aggregate nominal amount of £183,548 (representing approximately 5% of the issued share capital prior to the 2019 AGM) and to purchase up to 10% of the Company's issued ordinary shares in the market, but the requisite majorities for approval of these two resolutions were not achieved and these powers lapsed.

All of the above share capital authority resolutions will be proposed for renewal of authority at the 2020 AGM.

Change of control

There are no significant agreements to which the Company is a party that take effect, alter or terminate on a change of control following a takeover bid, nor are there any agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Amendment of articles of association

The Company's articles of association may only be amended by special resolution of the shareholders at a general meeting.

Appointment and replacement of Directors

The Company's articles of association provide that the number of Directors shall be not more than twelve and not fewer than four, unless otherwise determined by the Company by ordinary resolution. Directors may be appointed by an ordinary resolution of the shareholders or by a resolution of the Board.

A Director appointed by the Board during the year must retire at the first Annual General Meeting following his or her appointment and such Director is eligible to offer him or herself for election by the Company's shareholders.

Additionally, the Company's articles of association provide that one-third of the Directors who are subject to retirement by rotation shall retire from office at each Annual General Meeting. A Director who retires at an Annual General Meeting may be re-elected by the shareholders.

Notwithstanding these retirement provisions, in line with the UK Corporate Governance Code and as permitted by the articles of association, all Directors retired and presented themselves for re-election at the 2019 AGM.

In addition to the statutory power, a Director may be removed by ordinary resolution of the shareholders. The articles also set out the circumstances when a Director must leave office. These include where a Director resigns, becomes bankrupt, is absent from the business without permission or where a Director is removed by notice signed by a requisite number of remaining Directors.

Political donations and expenditure

No political donations were made, nor was political expenditure incurred during the financial year.

Financial instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, interest risk, liquidity risk and foreign currency risk can be found in note 30. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Employment policies

The Group's policies as regards the employment of disabled persons and a description of actions the Group has taken to encourage greater employee involvement in the business are set out on page 16. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Greenhouse gas emissions and energy consumption

Information on greenhouse gas emissions and energy consumption required to be disclosed in this Directors' report is set out on page 18. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Engagement with employees, suppliers and customers

Information on engagement with employees, suppliers and customers are required to be disclosed in this Directors' report and are set out under the s.172 statement on pages 12 and 13. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Research and development and future development

Information on future development required to be disclosed in this Directors' report is set out on page 7. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Substantial shareholdings

At the date of approval of the 2019/2020 annual report and accounts, the Company had received notification of the following shareholdings in excess of 3% of its issued share capital pursuant to the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority as at 31 March 2020 and 24 August 2020:

	As at 24 August 2020	As at 31 March 2020
Duroc AB	13.0%	13.0%
Schroder Investment Management Limited	10.9%	11.1%
Janus Henderson Investors	9.8%	9.8%
Lakestreet Capital Partners AG	6.7%	10.0%
Hargreaves Lansdown Asset Management	4.8%	4.8%
Peel Hunt LLP	0.0%	10.0%

Directors and Directors' interests

The Directors at the date of this Directors' report are listed on pages 30 and 31. Sarah Matthews-DeMers resigned from the Board as Group Finance Director on 23 October 2019. Matt Durkin-Jones was appointed as a Director and Chief Financial Officer on 21 January 2020. Mark Rollins stepped down as Non-Executive Chairman on 24 March 2020. No other person served as a Director of the Company at any time during the financial year.

Nick Sanders was appointed as a Non-Executive Director and Chairman-elect on 18 August 2020.

Additional information relating to Directors' remuneration and interests in the ordinary share capital of the Company are included in the Directors' remuneration report on pages 42 to 56.

Biographies of Directors

The biographies of Directors required to be disclosed in this Directors' report are set out on pages 30 and 31. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Directors' indemnities

The Company's articles of association permit the Company to indemnify any Director or any Director of any associated company against any liability pursuant to any qualifying third-party indemnity provision or any qualifying pension scheme indemnity provision, or on any other lawful basis.

The indemnity provisions entered into by the Company in favour of all the Directors were in force during the year and continue to be in force at the date the Directors' report is approved. The Company also takes out insurance covering claims against the Directors or officers of the Company and any associated company and this insurance provides cover in respect of some of the Company's liabilities under the indemnity provisions.

Disclosure of information to auditor

In accordance with section 418(2) of the Companies Act 2006, the Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Information required by LR 9.8.4R

There is no additional information required to be disclosed under LR 9.8.4R other than that disclosed in the Directors' remuneration report.

By order of the Board



Angie Wakes
Secretary

24 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

The Directors as at the date of this report, whose names and functions are set out on pages 30 and 31, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, the financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board



Joe Oatley
Non-Executive Chairman

24 August 2020

INDEPENDENT AUDITOR'S REPORT

to the members of Carclo plc

Opinion

We have audited the financial statements of Carclo plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice) as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Policies and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed entities and public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report, set out from page 23, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 26, in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 73 for the Group and page 125 for the parent company in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out from page 26 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

INDEPENDENT AUDITOR'S REPORT *continued*

to the members of Carclo plc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key audit matter	Our response and key observations
<p>Going concern (Group)</p> <p>The directors' going concern assessment is set out in the Finance review on page 22, Directors' report on page 57 and in the accounting policies in note 1 on page 73.</p> <p>The Group made a loss for the year of £11.4m and, while it has net assets of £8.7m, the Group has net current liabilities of £9.0m.</p> <p>The Group is dependent on debt facilities from its bank, which were set to mature in January 2021. Net debt as at 31 March 2020 was £27.4m. On 14 August 2020 the Group concluded a restructuring with its main creditors, being its bank and the Pension Scheme, to secure the continued support of these parties through to July 2023. The debt facilities available to the Group now comprise a term loan of £34.5m and a £3.5m revolving credit facility.</p> <p>Furthermore, during the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the countries in which the Group has operations.</p> <p>While the situation continues to evolve, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business. The directors' consideration is disclosed in the strategic report on page 25, viability statement on page 26 and going concern assessment on page 73, and they have concluded that adopting the going concern basis of preparation is appropriate.</p> <p>Given these factors, we have identified going concern as a key audit matter.</p>	<p>Our response</p> <p>We assessed the directors' conclusion that adopting the going concern basis for preparation of the financial statements is appropriate.</p> <p>Their assessment was dependent on the conclusion of the financing facility with the Group's principal bank which was signed on 14 August 2020.</p> <p>When assessing the directors' conclusion, we also considered:</p> <ul style="list-style-type: none"> the timing of the development of the outbreak of COVID-19 across the world and in the UK; and how the financial statements and business operations of the Group might be impacted by the disruption. <p>In forming our conclusions over going concern our principal audit procedures were:</p> <ul style="list-style-type: none"> verifying the conclusion of the restructuring and confirming the debt facilities available to the Group including reviewing the key terms of the debt facilities; reviewing the directors' going concern assessment, including COVID-19 implications based on a 'most likely' (base case) scenario and sensitivity analysis that models a 'severe downside scenario' as approved by the board of directors on 10 August 2020; making enquiries of the directors to understand the period of their assessment, the completeness of the adjustments taken into account and the implication of those when assessing the 'base case' scenario and the 'severe downside scenario' on the Group's future financial performance; evaluating the key assumptions in the 'base case' forecast and the 'severe downside scenario' forecast and considered whether these appeared reasonable; examining the facility headroom under the 'base case' scenario and the 'severe downside scenario' as disclosed in the financial statements and evaluated whether the directors' conclusion that liquidity headroom remained in all events was reasonable; reviewing the financial covenants and pension covenant associated with the debt facilities and for the 'base case' scenario and 'severe downside scenario' checking the calculation of the covenants and projected compliance; and evaluating the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks & uncertainties, critical accounting estimates and judgements and going concern. <p>Key observations</p> <p>Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements.</p> <p>Our conclusions on going concern are set out above in the Conclusions relating to principal risks, going concern and viability statement section of our report.</p>

Key audit matter

Valuation of intangible assets (Group)

Included on the Consolidated Statement of Financial Position is £22.9m of intangible assets of which £22.0m relates to goodwill allocated to the Technical Plastics cash generating unit (CGU). The goodwill allocated to the Aerospace CGU of £1.4m was impaired in full during the year.

The Group's accounting policies in respect of goodwill are set out in note 1(c) 'Goodwill' on page 75 and note 1(v) 'Impairment' on page 79. Impairment of goodwill has also been identified as a key judgement in note 2 on page 81.

The directors are required to perform an impairment review in respect of the goodwill on an annual basis or where there are indicators of impairment. This involves determining the recoverable amount of the goodwill and comparing it against its carrying value.

As disclosed in note 15 on page 98 the recoverable amount is based on an estimate of fair value less costs of disposal (FVLCD).

The calculation of FVLCD is subjective and involves significant judgement and estimation, including of the earnings multiple used and the costs of disposal. Therefore, there is a risk that the assumptions used in the FVLCD calculation are not appropriate resulting in overstatement of the recoverable amount and the goodwill being impaired.

Accordingly, we have identified the valuation of intangibles as a key audit matter.

Investment in subsidiaries (parent company)

The carrying value of investments in subsidiary undertakings on the Company Balance Sheet of Carclo plc is £93.8m.

As set out in the accounting policy in note 36(d) on page 126, investments are held at cost less provisions for impairment where appropriate. Therefore, there is a risk that investments in subsidiary undertakings are impaired where there are indicators of impairment in the underlying subsidiaries not identified by management, including a risk that the net assets or earnings do not support the carrying value.

Furthermore, as set out in note 39 on page 129, FVLCD models have been used by management to assess the recoverable amount of investments in the material trading subsidiaries. The calculation of FVLCD is subjective and involves significant judgement and estimation including over earnings, multiple used and costs of disposal.

As a result of the factors outlined above, as well as the significance of this balance in respect of the parent company financial statements, it has been identified as a key audit matter.

Revenue recognition (Group)

The Group's accounting policy in respect of revenue recognition is set out in note 1(j) 'Revenue recognition' on page 77.

There is a presumed significant risk of fraud in revenue recognition due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For the Group, we consider this risk to arise as follows:

- the Group enters into transactions for a range of the Group's products and services including design, tooling and production. There is risk that the allocation of revenue between the different elements of the transaction may not be appropriate and also not recognised in line with the terms of the underlying agreement with the customer; and
- there is a risk that revenue is recognised in the incorrect accounting period, due to the potential to inappropriately shift the timing and basis of revenue recognition including the recognition of revenue before the services or products have been provided to the customer.

As revenue is a key benchmark in a user's assessment of the performance of the Group, we have identified revenue recognition as a key audit matter.

Our response and key observations

Our response

Our principal audit procedures were:

- obtaining and reviewing management's impairment reviews;
- reviewing and evaluating the basis for grouping entities together as a CGU in the impairment review;
- reviewing the arithmetic accuracy of the impairment model prepared by management, including checking the data used in the FVLCD calculation;
- considering the appropriateness of the key assumptions being earnings, earnings multiple and costs of disposal used in the FVLCD calculation. This included reviewing the work of management's expert in determining an appropriate earnings multiple;
- reviewing the sensitivity analysis performed by management in their assessment; and
- assessing of the adequacy and completeness of the relevant disclosures in the financial statements.

Key observations

Based on the audit procedures outlined above, the assumptions used and the conclusion that there is no impairment of the goodwill associated with the Technical Plastics CGU is reasonable.

The full impairment of the goodwill allocated to the Aerospace CGU is reasonable given the uncertainty associated with the Aerospace sector following the global COVID-19 pandemic.

Our response

Our principal audit procedures were:

- obtaining and reviewing management's impairment reviews;
- assessing the underlying assumptions used in the impairment reviews to assess that these are reasonable;
- testing individual investments for further indicators of impairment including by comparing the carrying amount of the investment to the net assets/liabilities of the related subsidiary (being an approximation of the minimum recoverable amount);
- reviewing the parent company valuation of investments with reference to the market capitalisation of the Group; and
- assessing the adequacy and completeness of the relevant disclosures in the financial statements.

Key observations

Based on the audit procedures outlined above, we are satisfied that the carrying value of investments in subsidiary undertakings is reasonable.

Our response

Our principal audit procedures were:

- reviewing the basis and allocation of revenue recognition where the Group provides a range of services and products and testing the revenue recognised on a sample of transactions, including to the underlying agreement with the customer and any other relevant documentation;
- performing substantive analytical review procedures, including setting an expectation for revenue based on cash received in bank statements and comparing this to actual revenue recognised in the year;
- substantive sample testing of revenue transactions either side of the year end. For each item selected, we assessed the timing of revenue recognition by reference to underlying supporting documentation; and
- reviewing the audit work completed on revenue by the component auditors.

Key observations

Based on our audit procedures outlined above, we consider the Group's revenue recognition policy to be appropriate and we are satisfied that revenue has been recognised in line with the stated accounting policy.

INDEPENDENT AUDITOR'S REPORT **continued**

to the members of Carclo plc

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group

Overall materiality	£1,086k
How we determined materiality	We determined overall materiality at 1% of the Group's revenue (derived from continuing operations).
Rationale for benchmark applied	Revenue has been identified as the principal benchmark within the Group financial statements as we consider that the Group's revenue remains a key measure of the performance of the Group and is a more stable benchmark on which to set materiality compared to the profit/loss before taxation which fluctuates and has been significantly impacted by the restructuring that took place during the year.
Performance materiality	£543k We performed our audit procedures using a lower level of materiality – termed 'performance materiality' – which is set to reduce to an appropriate level the probability that the aggregate of uncorrected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the Group's control environment and that it is the first year of our audit engagement, we set performance materiality at 50% of overall materiality.
Reporting threshold	£32k We agreed with the Audit Committee that we would report to that committee all identified corrected and uncorrected misstatements in excess of this level, together with differences below that level that, in our view, warranted reporting on qualitative grounds. This has been set at 3% of overall materiality.

The range of financial statement materiality across components, audited to the lower of local statutory audit materiality and materiality capped for Group audit purposes, was between £80k and £900k, being all below Group financial statement materiality.

Parent company

Overall materiality	£219k
How we determined it	1% of net liabilities
Rationale for benchmark applied	Net liabilities is considered the most appropriate benchmark as the parent company is not trading and mainly holds investments in subsidiaries as well as intercompany balances, banking facilities and a defined benefit pension scheme liability.
Performance materiality	£109k Performance materiality has been set at 50% of overall materiality.
Reporting threshold	£6k The reporting threshold has been set at 3% of overall materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the Group and the parent company, their environments, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the Group and the parent company, the industries in which they operate, the structure of the Group, and considered the risk of acts by the Group and the parent company which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- we discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the Group's and the parent company's regulatory and legal correspondence and review of minutes of directors' meetings in the year. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation.

Our procedures in relation to fraud included but were not limited to:

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to impairment reviews and revenue recognition, and significant one-off or unusual transactions; and

- addressing the risk of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

As a result of our procedures, we did not identify any key audit matters relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under Key audit matters within this report.

Our Group audit scope included an audit of the Group and the parent company financial statements of Carclo plc. Based on our risk assessment, of the Group's eight reporting components, six were subject to full scope audits for Group purposes and two were subject to specified risk-focused audit procedures. For the other non-trading entities within the Group, we performed desktop analytical procedures at an aggregated Group level to assess whether there were any significant risks of material misstatement within these entities.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Total Group revenue	Group loss before tax	Total Group assets
Full scope	6	92%	93%	92%
Risk based audit procedures	2	8%	7%	7%
Total	8	100%	100%	99%

The audit of the UK components, including the audit of the parent company, were undertaken by the Group audit team. The Group audit team instructed component auditors in the other countries including the US, China, India, France and the Czech Republic as to the significant areas of audit focus including, where relevant, the key audit matters detailed above and the information to be reported back to the Group audit team. The Group audit team approved all of the significant component materiality levels.

As part of the process, the Group audit team held telephone conference meetings with the component auditors at both the planning and completion stage, as well as during the audit fieldwork as required. At these meetings, the Group team discussed the audit strategy and the findings reported to the Group audit team, with any further work required by the Group audit team then being performed by the component auditor, as required. The Group audit team reviewed key working papers prepared by the component auditors.

At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

INDEPENDENT AUDITOR'S REPORT *continued*

to the members of Carclo plc

Other information

The directors are responsible for the other information.

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- fair, balanced and understandable set out on page 60 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 36 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 32 – the parts of the directors' statement required under the Listing Rules relating to the parent company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 14 April 2020 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. This is the first year of our audit engagement.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of the audit report

This report is made solely to the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's 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 parent company and the parent company's members as a body for our audit work, for this report, or for the opinions we have formed.



Tim Hudson (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

One St Peter's Square

Manchester

M2 3DE

24 August 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2020

	Notes	2020 £000	2019 restated ¹ £000
Continuing operations:			
Revenue	7	110,506	105,338
Underlying operating profit		7,313	6,390
Exceptional items	10	(5,470)	(4,507)
Operating profit	3, 8	1,843	1,883
Finance revenue	11	97	35
Finance expense	11	(2,485)	(1,926)
Loss before tax		(545)	(8)
Income tax expense	12	(1,355)	(2,931)
Loss after tax but before loss on discontinued operations		(1,900)	(2,939)
Discontinued operations:			
Loss on discontinued operations, net of tax	4	(9,509)	(15,693)
Loss for the period		(11,409)	(18,632)
Attributable to:			
Equity holders of the Company		(11,409)	(18,632)
Non-controlling interests		—	—
		(11,409)	(18,632)
Loss per ordinary share	13		
Basic – continuing operations		(2.6)p	(4.0)p
Basic – discontinued operations		(13.0)p	(21.4)p
Basic		(15.5)p	(25.4)p
Diluted – continuing operations		(2.6)p	(4.0)p
Diluted – discontinued operations		(13.0)p	(21.4)p
Diluted		(15.5)p	(25.4)p

1. The 2019 comparative information has been re-presented due to a discontinued operation, namely the LED Technologies segment comprising two Wipac businesses which was disposed of during the period, as detailed in note 4.

The Group initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	2020 £000	2019 £000
Loss for the period	(11,409)	(18,632)
Other comprehensive income/(expense):		
Items that will not be reclassified to the income statement		
Remeasurement gains/(losses) on defined benefit scheme	7,805	(16,293)
Deferred tax arising	—	(5,260)
Total items that will not be reclassified to the income statement	7,805	(21,553)
Items that are or may in future be classified to the income statement		
Foreign exchange translation differences	716	1,260
Net investment hedge	(549)	(425)
Deferred tax arising	(124)	(61)
Total items that are or may in future be classified to the income statement	43	774
Other comprehensive income/(expense), net of tax	7,848	(20,779)
Total comprehensive expense for the year	(3,561)	(39,411)
Attributable to:		
Equity holders of the Company	(3,561)	(39,411)
Non-controlling interests	—	—
Total comprehensive expense for the period	(3,561)	(39,411)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Notes	2020 £000	2019 £000
Assets			
Intangible assets	15	22,880	24,144
Property, plant and equipment	16	40,395	42,495
Investments	17	—	7
Deferred tax assets	23	407	442
Trade and other receivables	20	114	126
Total non-current assets		63,796	67,214
Inventories	18	14,201	19,657
Contract assets	19	1,424	20,264
Trade and other receivables	20	19,775	32,101
Cash and cash deposits	21	19,309	10,330
Total current assets		54,709	82,352
Total assets		118,505	149,566
Liabilities			
Interest bearing loans and borrowings	22	3,862	1,048
Deferred tax liabilities	23	4,559	4,051
Trade and other payables	27	—	132
Retirement benefit obligations	24	37,620	49,121
Total non-current liabilities		46,041	54,352
Trade and other payables	26	18,420	31,444
Current tax liabilities		879	867
Contract liabilities	7	1,607	2,540
Provisions	25	23	333
Interest bearing loans and borrowings	22	42,804	47,763
Total current liabilities		63,733	82,947
Total liabilities		109,774	137,299
Net assets		8,731	12,267
Equity			
Ordinary share capital issued	28	3,671	3,671
Share premium		7,359	7,359
Translation reserve	29	7,051	7,008
Retained earnings	29	(9,324)	(5,745)
Total equity attributable to equity holders of the Company		8,757	12,293
Non-controlling interests		(26)	(26)
Total equity		8,731	12,267

The Group initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See note 6.

Approved by the Board of Directors on 24 August 2020 and signed on its behalf by:



Antony Collins
Director

Registered Number 196249



Matt Durkin-Jones
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Attributable to equity holders of the Company					Non-controlling interests £000	Total equity £000
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000		
Balance at 1 April 2018	3,664	7,359	6,234	34,719	51,976	(26)	51,950
Loss for the year	—	—	—	(18,632)	(18,632)	—	(18,632)
Other comprehensive income/(loss):							
Foreign exchange translation differences	—	—	1,260	—	1,260	—	1,260
Net investment hedge	—	—	(425)	—	(425)	—	(425)
Remeasurement losses on defined benefit scheme	—	—	—	(16,293)	(16,293)	—	(16,293)
Taxation on items above	—	—	(61)	(5,260)	(5,321)	—	(5,321)
Total comprehensive income/(loss) for the period	—	—	774	(40,185)	(39,411)	—	(39,411)
Transactions with owners recorded directly in equity							
Share-based payments	—	—	—	36	36	—	36
Exercise of share options	7	—	—	(97)	(90)	—	(90)
Taxation on items recorded directly in equity	—	—	—	(218)	(218)	—	(218)
Balance at 31 March 2019 ¹	3,671	7,359	7,008	(5,745)	12,293	(26)	12,267
Balance at 1 April 2019, as previously reported	3,671	7,359	7,008	(5,745)	12,293	(26)	12,267
Adjustment on initial application of IFRS 16, net of tax ¹	—	—	—	—	—	—	—
Adjusted balance at 1 April 2019	3,671	7,359	7,008	(5,745)	12,293	(26)	12,267
Loss for the year	—	—	—	(11,409)	(11,409)	—	(11,409)
Other comprehensive income/(loss):							
Foreign exchange translation differences	—	—	716	—	716	—	716
Net investment hedge	—	—	(549)	—	(549)	—	(549)
Remeasurement gains on defined benefit scheme	—	—	—	7,805	7,805	—	7,805
Taxation on items above	—	—	(124)	—	(124)	—	(124)
Total comprehensive income/(loss) for the period	—	—	43	(3,604)	(3,561)	—	(3,561)
Transactions with owners recorded directly in equity:							
Share-based payments	—	—	—	25	25	—	25
Taxation on items recorded directly in equity	—	—	—	—	—	—	—
Balance at 31 March 2020	3,671	7,359	7,051	(9,324)	8,757	(26)	8,731

1. The Group initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See note 6.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash generated from operations	31	21,803	4,145
Interest paid		(1,568)	(1,202)
Tax paid		(933)	(1,107)
Net cash from operating activities		19,302	1,836
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	333
Interest received		104	58
Acquisition of business, net of cash acquired		(250)	—
Purchase of property, plant and equipment		(8,512)	(6,897)
Purchase of intangible assets – computer software		(19)	(87)
Net cash from investing activities		(721)	(6,593)
Cash flows from financing activities			
Drawings on term loan facilities		—	215
(Repayment of)/drawings on other loan facilities		(9)	26
Cash outflow in respect of performance share plan awards		—	(52)
Repayment of lease liabilities (2019: repayment of finance lease liabilities)		(3,122)	(453)
Net cash from financing activities		(3,131)	(264)
Net increase/(decrease) in cash and cash equivalents		15,450	(5,021)
Cash and cash equivalents at beginning of period		(7,038)	(2,223)
Effect of exchange rate fluctuations on cash held		(60)	206
Cash and cash equivalents at end of period		8,352	(7,038)
Cash and cash equivalents comprise:			
Cash and cash deposits		19,309	10,330
Bank overdrafts		(10,957)	(17,368)
		8,352	(7,038)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

1 Basis of preparation

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"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 123 to 132.

The accounting policies have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Going concern

The financial statements are prepared on the going concern basis.

Net debt as of 31 March 2020 was £27.4 million, representing a decrease from £38.5 million at 31 March 2019. The decrease was driven in the main by proceeds from the disposal of the LED division.

On 14 August 2020 we concluded a restructuring with the Company's main creditors being its bank, HSBC, and the pension scheme to secure the continued support of those parties through to July 2023.

The debt facilities available to the Group now comprise a term loan of £34.5 million, of which £3.0 million will be amortised by 30 September 2022, and a £3.5 million revolving credit facility maturing on 31 July 2023.

Further a schedule of contributions has been agreed with the pension trustees through to September 2037.

The bank facilities are subject to four covenants to be tested on a quarterly basis:

1. underlying interest cover;
2. net debt to underlying EBITDA;
3. core subsidiary underlying EBITA; and
4. core subsidiary revenue.

Core subsidiaries are defined as Carclo Technical Plastics Ltd; Bruntons Aero Products Ltd; Carclo Technical Plastics (Brno) s.r.o; CTP Carrera Inc and Jacottet Industrie SAS, with CTP Taicang Co. Ltd and Carclo Technical Plastics Pvt Co Ltd being treated as non-core for the purposes of these covenants.

In addition, the pension scheme has the benefit of a fifth covenant to be tested on 1 May each year up to and including 2023. In the year to 31 March 2021 the test is met by the payment of the agreed schedule of contributions. In subsequent years the test requires any shortfall of pension deficit recovery contributions when measured against PPF priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities) is to be met by a combination of cash payments to the scheme plus a notional (non-cash) proportion of the increase in the underlying value of the CTP and Aero businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Directors have prepared cash flow and covenant forecasts to cover the twelve-month period from the date of signing these financial statements taking into account the Group's available debt facilities and the terms of the arrangements with the bank and the pension scheme. These demonstrate that the Group has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have performed sensitivity testing based on a number of reasonably possible scenarios including taking into account the current view of reasonably possible impacts of the COVID-19 pandemic on the Group, covering reductions in customer demand; impacts to manufacturing operations arising from outbreaks impacting the local workforce; national and regional lockdown measures; and other indirect impacts to supply chains arising from the pandemic. The Directors also considered the potential impact to the Group of a no deal Brexit with the possibility of increases to costs arising from changes to import and export tariffs as well as additional administrative costs to deal with changes to how our UK-based operations process transactions with the EU after 1 January 2021.

A severe downside scenario was also considered as part of the sensitivity analysis, addressing additional significant reductions in sales volumes. Such a scenario is considered remote and the Group has the capacity to take additional mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditures as necessary.

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that the Group will continue to operate within the facilities available to it and to adhere to the covenant tests to which it is subject throughout the twelve-month period from the date of signing the financial statements and as such it has adopted the going concern assumption in preparing the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2020

1 Basis of preparation *continued*

New standards, amendments and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2019. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2019:

- **IFRS 16 Leases**

IFRS 16 Leases was published in January 2016 and has become effective for the Group for the period beginning 1 April 2019. The standard replaces IAS 17 Leases, IFRIC 14 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard applies a single recognition and measurement approach for all applicable leases under which the Group is the lessee.

The Group has lease contracts for property and equipment. Before the adoption of IFRS 16, leases in which substantially all the risks and rewards of ownership were retained by the lessor were classified as operating leases; all other leases were classified as finance leases. Under the previous standard, lease payments on operating leases were recognised as rental costs in the consolidated income statement. There was no recognition of the associated assets or liability in the consolidated statement of financial position, except to the extent that there were any prepaid or accrued rents.

Upon adoption of IFRS 16, for all leases where the Group is a lessee, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The consolidated income statement includes depreciation in relation to the right-of-use assets and a finance charge in relation to the lease liabilities.

The Group does not act as a lessor.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The nature and effect of the changes, and of the practical expedients used by the Group, are disclosed in note 6.

- **Annual Improvements to IFRS Standards 2015–2017 Cycle** (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) (effective date 1 January 2019);
- **IFRIC 23 Uncertainty over Income Tax Treatments** (effective date 1 January 2019);
- **Amendments to IFRS 9: Prepayment Features with Negative Compensation** (effective date 1 January 2019);
- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures** (effective date 1 January 2019); and
- **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement** (effective date 1 January 2019).

These standards have not had a material impact on the consolidated financial statements unless indicated.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2020.

The Group has elected not to adopt early these standards which are described below.

- **Amendments to References to Conceptual Framework in IFRS Standards** (effective date 1 January 2020);
- **Amendments to IFRS 3: Definition of a Business** (effective date 1 January 2020);
- **Amendments to IAS 1 and IAS 8: Definition of Material** (effective date 1 January 2020); and
- **IFRS 17 Insurance Contracts** (effective date 1 January 2021).

The above are not expected to have a material impact on the financial statements unless indicated.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Accounting policies

a) Basis of accounting

The financial statements are prepared on the historical cost basis except that derivative financial instruments and share options are stated at their fair value.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group. The results of any subsidiaries sold or acquired are included in the Group income statement up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation. On acquisition of a subsidiary, all of the identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date.

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally a fair value) of the identifiable assets acquired and liabilities assumed.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

c) Goodwill

In respect of business combinations that occurred since 1 April 2004, goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on acquisition of subsidiaries, joint ventures and businesses is capitalised as an asset.

In accordance with IFRS 1 and IFRS 3, goodwill at 1 April 2004 has been frozen and will not be amortised. Goodwill is allocated to cash generating units and is subject to an annual impairment review, with any impairment losses being recognised immediately in the income statement.

Any goodwill arising on the acquisition of an overseas subsidiary is retranslated at the balance sheet date.

Goodwill arising prior to 31 March 1998 and previously written off to reserves has not been reinstated.

d) Other intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see accounting policy e) and impairment losses (see accounting policy v).

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see accounting policy e) and impairment losses (see accounting policy v).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

e) Amortisation

Intangible assets, other than goodwill, are amortised on a straight-line basis to write off the cost of the asset, less estimated residual value, over the estimated economic life of the asset. Patents and development costs are amortised over a period of up to ten years from the date upon which the patent or related development expenditure becomes available for use. Customer related intangibles are amortised over seven to ten years and computer software over three to five years.

f) Property, plant and equipment

The Group has taken the option provided by IFRS 1 to use its previous UK GAAP valuation as "deemed cost". Items of property, plant and equipment are stated at cost, or at deemed cost, less accumulated depreciation and impairment losses.

Depreciation on property, plant and equipment is provided using the straight-line method to write off the cost or valuation less estimated residual value, using the following depreciation rates:

Freehold buildings	2.0% – 5.0%
Plant and equipment	8.33% – 33.33%

No depreciation is provided on freehold land.

g) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into on or after 1 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

1 Basis of preparation **continued**

Accounting policies **continued**

g) Leases **continued**

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases, where this is not the case they are treated as operating leases.

Amounts payable under operating leases are charged to net operating expenses on a straight-line basis over the lease term.

h) Borrowing costs

Borrowings are initially measured at fair value including any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate ("EIR") method.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

j) Revenue recognition

Revenue arises on the Group's principal activities. Further details are set out in note 7.

To determine whether to recognise revenue, the Group follows a five-step process:

- 1 identifying the contract with a customer;
- 2 identifying the performance obligations;
- 3 determining the transaction price;
- 4 allocating the transaction price to the performance obligations; and
- 5 recognising revenue when/as performance obligation(s) are satisfied.

The Group sometimes enters into transactions involving a range of the Group's products and services, which in the Technical Plastics segment would generally be for tooling and production. In the discontinued LED Technologies segment this would typically have been for design and development, prototyping, production tooling, production and spares provision of premium automotive lighting. The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices, or, in the absence of a stand-alone selling price, on a cost-plus margin basis. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position (see note 7). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

k) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

l) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

m) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges meeting the criteria for hedge accounting under IFRS 9, are taken to the translation reserve. They are released into the income statement upon disposal.

The Group has taken advantage of relief available under IFRS 1 to not separately recognise the cumulative translation differences for all foreign operations at the date of transition, 1 April 2004.

n) Dividends

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the note to the financial statements.

o) Net operating expenses

Net operating expenses incurred by the business are written off to the income statement as incurred.

p) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and gains and losses on hedging instruments that are recognised in the income statement.

Interest is recognised in the income statement as it accrues, using the effective interest method, unless it is directly attributable to the acquisition, construction or production of a qualifying asset in which case it is capitalised as part of the cost of that asset.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

1 Basis of preparation **continued**

Accounting policies **continued**

r) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends from foreign operations are recognised at the same time as the liability to pay the related dividend.

s) Retirement benefit costs

The Group operates a defined benefit pension scheme and also makes payments into defined contribution schemes for employees. The pension payable under the defined benefit scheme is calculated based on years of service up to retirement and pensionable salary at the point of retirement.

The net obligation in respect of the defined benefit plan is the present value of the defined benefit obligations less the fair value of the plan's assets at the balance sheet date. The assumptions used to calculate the present value of the defined benefit obligations are detailed in note 25.

IFRIC 14 requires that where plan assets exceed the defined benefit obligation, an asset is recognised to the extent that an economic benefit is available to the Group, in accordance with the terms of the plan and applicable statutory requirements and the benefit should be realisable during the life of the plan or on the settlement of the plan liabilities.

The operating and financing costs of the scheme are recognised separately in the income statement in the period they arise.

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made the Group has no further obligation.

t) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant finance component) or financial liability is initially measured at fair value (plus transaction costs that are directly attributable to its acquisition or issue for an item not at Fair Value Through Profit or Loss ("FVTPL")). A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in the profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flow in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amounts presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v) Hedge accounting

Net investment hedges

When a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation the effective portion of foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the foreign exchange gains and losses is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of foreign operations.

u) Share-based payments

The Group issues equity-settled share-based payments to certain employees in exchange for services rendered by them. The fair value of the share-based award is calculated at the date of the grant and is expensed on a straight-line basis over the vesting period with a corresponding increase in equity. This is based on the Group's estimate of share options that will eventually vest. This takes into account movement of non-market conditions, being service conditions and financial performance, if relevant.

v) Impairment

i) Non-financial assets

For non-financial assets the continuing policy is as follows:

The carrying amounts of the Group's assets, other than inventories (see accounting policy i) and deferred tax assets (see accounting policy r), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units or group of units and then, to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

ii) Financial assets

The Group measures loss allowances for estimate of expected credit losses ("ECLs") on:

- financial assets measured at amortised cost;
- contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which the credit risk has not increased significantly.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

1 Basis of preparation **continued**

Accounting policies **continued**

v) Impairment **continued**

ii) Financial assets **continued**

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date (or a shorter period if the expected life of the instrument is less than twelve months).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contracted cash flows and the cash flows the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the assets have occurred.

w) Exceptional items

In order for users of the accounts to better understand the underlying performance of the Group, the Board has separately disclosed transactions which, whilst falling within the ordinary activities of the Group, are, by virtue of their size or incidence, considered to be exceptional in nature. Such transactions include but are not limited to: costs of impairment, rationalisation, one-off retirement benefit effects, litigation costs and material bad debts.

Non-operating exceptional items arise from costs incurred outside the ordinary course of the Group's business. Such items include profits, losses and associated costs arising on the disposal of surplus properties and businesses.

x) Segment reporting

Segmental information is presented on the same basis as that used for internal reporting to the chief operating decision maker.

y) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability to the extent that the effect of discounting is material.

z) Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

2 Accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Management has discussed these with the Audit Committee. These should be read in conjunction with the significant accounting policies provided in the notes to the financial statements.

Going concern

Note 1 contains information about the preparation of these financial statements on a going concern basis.

Key judgement

Management has exercised judgement over the likelihood of the Group to be able to continue to operate within its available facilities and in accordance with its covenants for the twelve months from the date of signing these financial statements. This determines whether the Group should operate the going concern basis of preparation for these financial statements.

Impairment of goodwill

Note 15 contains information about management's estimates of the recoverable amount of cash generating units and their risk factors. Management has exercised judgement over the underlying assumptions within the valuation models. These are key factors in their assessment of whether there is any impairment in related goodwill.

Management has also exercised judgement to determine the Group's cash generating units to which goodwill is allocating and against which impairment testing is performed.

Key sources of estimation uncertainty

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. As set out in more detail in note 15, the recoverable amounts may be based on fair value less costs of disposal calculations. The use of this method requires the estimation of fair value. Details of the sensitivity of assumptions are included in note 15.

LED Technologies disposal proceeds

Note 4 contains information about management's estimate of the outstanding consideration arising from the disposal of Wipac Ltd which is currently in administration.

Key judgement

Management has exercised judgement over the likelihood of a further payment being received after the balance sheet date from the Administrators of Wipac Ltd by the Group's leading bank which would reduce the outstanding drawn balance on the Group's bank debt accordingly. This will depend on the outcome of the administration process. Management consider the receipt probable but insufficiently certain to recognise an asset and so the estimated proceeds have not been included in the disposal proceeds.

Key sources of estimation uncertainty

The Group has estimated the value of a further payment to be £1.0 million and has disclosed this amount as a contingent asset – see note 4.

Pension assumptions

Note 24 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors.

Key sources of estimation uncertainty

The value of the defined benefit pension plan obligation is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. Differences arising from actual experience or future changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income. The Group exercises judgement in determining the assumptions to be adopted after discussion with a qualified actuary. Details of the key actuarial assumptions used and of the sensitivity of these assumptions are included within note 24.

Lease discount rates

Note 6 contains information about management's estimate of interest rates implicit in leases.

Key sources of estimation uncertainty

For those leases where no interest rate could be implied from the lease agreement management has estimated the interest rate based on the Group's incremental borrowing rate.

Revenue recognition

As revenue from tooling and premium automotive lighting contracts is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligations have been satisfied.

Key judgements

As detailed in note 7 the revenue recognised on premium automotive lighting tooling contracts in the discontinued operations required management to use judgement to apportion contract revenue to milestones and in certain cases to estimate when milestones had been achieved.

The revenue recognised on certain contracts in the continuing Technical Plastics segment required management to use judgement to apportion contract revenue to the tooling performance obligation.

Key sources of estimation uncertainty

Revenue recognised on certain contracts in the continuing Technical Plastics segment required management to estimate the remaining costs to complete the tooling performance obligation in order to determine the percentage of completion and revenue to recognise in respect of those performance obligations.

Recognition of deferred tax assets.

Note 23 contains information about the deferred tax assets recognised in the consolidated statement of financial position.

Key judgements

Management has exercised judgement over the level of future taxable profits in the UK against which to relieve the Group's deferred tax assets. On the basis of this judgement no UK deferred tax assets have been recognised at the period end.

Classification of exceptional items

Note 10 contains information about items classified as exceptional items.

Key judgement

Management has exercised judgement over whether items are exceptional as set out in the Group's accounting policy – see note 1 w).

Discontinued operations

As set out in note 4 during the year the Group disposed of the LED Technologies business. It has treated this as a discontinued operation and has restated the comparative 2019 data.

Key judgements

The LED Technologies business was trading through Wipac Limited and Wipac Czech s.r.o. Management has exercised its judgement to present the disposal, which was completed in two stages, as a single transaction and to classify this as a discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

3 Segment reporting

During the period the Group was organised into three, separately managed, business segments – Technical Plastics, Aerospace and LED Technologies. These are the segments for which summarised management information is presented to the Group's chief operating decision maker (comprising the main Board and Group Executive Committee).

The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, electronics, optics and automotive safety products. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development. This segment now includes the Optics business formerly included within LED Technologies.

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

The LED Technologies segment has been presented as a discontinued operation as detailed in note 4. It developed innovative solutions in LED lighting, and was a leader in the development of high power LED lighting for the premium automotive industry.

The Central segment relates to central costs, non-trading companies and eliminations of intra-group revenue. Central costs and non-trading companies were previously reported as unallocated.

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

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Analysis by business segment

The segment results for the year ended 31 March 2020 were as follows:

	Technical Plastics (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	LED Technologies (discontinued) £000	Group total £000
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	—	—	—
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)

	Technical Plastics (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	LED Technologies (discontinued) £000	Group total £000
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						
Capital expenditure on property, plant and equipment	7,066	166	66	7,298	4,791	12,089
Capital expenditure on computer software	19	—	—	19	—	19
Depreciation	5,675	270	6	5,951	814	6,765
Impairment of property, plant and equipment	—	—	—	—	1,501	1,501
Amortisation of computer software	19	—	95	114	—	114
Amortisation of other intangibles	58	—	—	58	—	58
Impairment of goodwill	—	1,405	—	1,405	—	1,405

The Group's Aylesbury-based Optics business ("Optics") operated historically and until 20 December 2019 within the Wipac Limited legal entity, but with its business closely related to the Group's Technical Plastics segment. Immediately following Administrators being appointed to Wipac Limited (see note 4) the Group acquired the business and assets, other than trade debtors, related to Optics (see note 5). Therefore the Optics business is shown as part of continuing operations within the Technical Plastics segment and the comparatives have been restated to remove the Optics business from the LED Technologies segment and to present it within the Technical Plastics segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2020

3 Segment reporting *continued*

The segment results for the year ended 31 March 2019 following restatement for the presentation of the Optics business were as follows:

	Technical Plastics restated (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	LED Technologies restated (discontinued) £000	Group total £000
Consolidated income statement						
Total revenue	101,281	6,720	(2,854)	105,147	39,704	144,851
Less inter-segment revenue	(2,663)	—	2,854	191	(191)	—
Total external revenue	98,618	6,720	—	105,338	39,513	144,851
Expenses	(90,554)	(5,422)	(2,972)	(98,948)	(44,588)	(143,536)
Underlying operating profit/(loss)	8,064	1,298	(2,972)	6,390	(5,075)	1,315
Exceptional items	(445)	—	(4,062)	(4,507)	(9,401)	(13,908)
Operating profit/(loss)	7,619	1,298	(7,034)	1,883	(14,476)	(12,593)
Net finance expense				(1,891)	(170)	(2,061)
Income tax expense				(2,931)	(1,047)	(3,978)
Loss for the period				(2,939)	(15,693)	(18,632)
Consolidated statement of financial position						
Segment assets	95,939	6,352	4,270	106,561	43,005	149,566
Segment liabilities	(19,562)	(1,046)	(94,145)	(114,753)	(22,546)	(137,299)
Net assets	76,377	5,306	(89,875)	(8,192)	20,459	12,267
Other segmental information						
Capital expenditure on property, plant and equipment	1,964	311	—	2,275	5,547	7,822
Capital expenditure on computer software	42	—	22	64	23	87
Depreciation	4,164	178	2	4,344	916	5,260
Impairment of property, plant and equipment	—	—	—	—	7,115	7,115
Amortisation of computer software	20	—	100	120	73	193
Amortisation of other intangibles	56	—	—	56	30	86
Impairment of goodwill	—	—	—	—	1,060	1,060
Impairment of computer software	—	—	—	—	191	191
Impairment of other intangibles	—	—	—	—	114	114

Analysis by geographical segment

The business operates in three main geographical regions – the United Kingdom, North America and in lower cost regions including the Czech Republic, China and India, and the geographical analysis was as follows:

	External revenue		Net segment assets		Expenditure on tangible fixed assets and computer software	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
United Kingdom	39,555	39,559	(42,180)	(44,777)	10,353	6,731
North America	47,736	46,566	26,143	30,114	1,214	770
Rest of world	58,997	58,726	24,768	26,930	541	408
	146,288	144,851	8,731	12,267	12,108	7,909

The analysis of segment revenue represents revenue from external customers based upon the location of the customer.

The analysis of segment assets and capital expenditure is based upon the location of the assets.

The material components of the central segment assets and liabilities are retirement benefit obligation net liabilities of £37.620 million (2019: net liabilities of £49.121 million), and net borrowings of £31.458 million (2019: £37.374 million).

One Technical Plastics customer accounted for 23.7% of Group revenues from continuing operations (2019: 25.4%) and similar proportions of trade receivables. No other customer accounted for more than 10.0% of revenues from continuing operations in the year or prior year.

Deferred tax assets by geographical location are as follows: United Kingdom Enil (2019: Enil), North America £0.268 million (2019: £0.139 million), Rest of world £0.139 million (2019: £0.303 million).

Total non-current assets by geographical location are as follows: United Kingdom £20.485 million (2019: £25.434 million), North America £23.831 million (2019: £21.918 million), Rest of world £18.959 million (2019: £19.287 million).

4 Discontinued operation

Following the restatement of the operating segments for the presentation of the Optics business as set out in note 3, the LED Technologies segment comprised entirely the two Wipac businesses which operated from the UK and from the Czech Republic.

As previously reported, the decision was taken during the first half of the period to sell the two Wipac businesses, with both businesses being successfully disposed of during the period.

Firstly, the entire share capital of Wipac Czech s.r.o. was sold on 26 November 2019 to Magna Automotive Europe GmbH for proceeds of £0.8 million of which £0.7 million was settled in cash and £0.1 million is deferred consideration.

Then, on 20 December 2019, the Group exited the Wipac UK business with Administrators being appointed to Wipac Limited and immediately, following their appointment, selling the business. The business and assets of Wipac Limited (in administration), other than those related to its Aylesbury based Optics business ("Optics"), were sold to Wipac Technology Limited, a newly formed wholly owned subsidiary of Wuhu Anrui Optoelectrics Co. Ltd. The Group's defined benefit pension scheme and lending bank were the principal secured creditors of Wipac Limited and £3.5 million of the net proceeds were paid by the Administrators to the Group's pension scheme and £5.0 million was used during the period to reduce the drawn balance of the Group's overdraft..

No asset has been recognised for potential post balance sheet proceeds which may be used to further reduce the outstanding drawn balance of the Group's revolving credit facility. Management's best estimate of the contingent asset in respect of these potential proceeds is £1.0 million.

Following the restatement of the operating segments for the presentation of the Optics business as set out in note 3, the LED Technologies segment comprised entirely the two Wipac businesses.

When the decision was taken to sell the two Wipac businesses the LED Technologies segment became classified as held-for-sale and the disposal group's assets were held at fair value less costs to sell of £10.9 million.

Following an impairment review at 30 September 2019, and as published in the Group's Interim Report as at that date, a £1.501 million impairment of the held-for-sale assets was recognised and was allocated against property, plant and equipment.

The disposal of the two Wipac businesses has been deemed as a single transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

4 Discontinued operation continued

The comparative consolidated income statement and OCI has been re-presented to show the discontinued operation separately from continuing operations.

	2020 £000	2019 £000
Results of discontinued operation		
Total revenue	35,782	39,704
Less inter-segment revenue	—	(191)
Total external revenue	35,782	39,513
Expenses	(38,728)	(44,588)
Underlying operating loss	(2,946)	(5,075)
Rationalisation and restructuring costs	(1,808)	(922)
Impairment	(1,501)	(8,479)
Operating loss	(6,255)	(14,476)
Net finance expense	(198)	(170)
Loss before tax	(6,453)	(14,646)
Income tax expense	(94)	(1,047)
Loss from operating activities after tax	(6,547)	(15,693)
Loss on sale of discontinued operation	(2,962)	—
Tax on loss on sale of discontinued operation	—	—
Loss from discontinued operations, net of tax	(9,509)	(15,693)
	2020 £000	2019 £000
Cash flows from/(used in) discontinued operation		
Net cash from/(used in) operating activities	12,353	(6,979)
Net cash from/(used in) investing activities	2,700	(5,059)
Cash flows (used in)/from financing activities	(1,721)	1,524
Net cash flows for the period	13,332	(10,514)

	2020 £000
Effect of disposal on the financial position of the Group	
Property, plant and equipment	10,087
Inventories	7,053
Contract assets	1,898
Trade and other receivables	9,807
Cash and cash deposits	183
Interest bearing loans and borrowings	(1,481)
Deferred tax liabilities	39
Trade and other payables	(14,412)
Contract liabilities	(944)
Net assets and liabilities disposed of	12,230
Consideration received, satisfied in cash	5,639
Cash and cash equivalents disposed of	(183)
Net cash inflows	5,456
Deferred consideration received	129
Consideration received by the Group pension scheme	3,500
Non-cash disposal proceeds	3,629
Loss on disposal working	
Total disposal proceeds	9,268
Net assets and liabilities disposed of	(12,230)
Loss on disposal	(2,962)

5 Acquisition of Optics

On 20 December 2019, the Group purchased the business and assets of the Aylesbury based Optics business from the Administrators of Wipac Limited.

Whilst the Optics business was under control of the Group until 20 December 2019, control was lost at the point at which Administrators were appointed to Wipac Limited. The purchase of the Optics business and assets from the Administrators immediately thereafter was a separate transaction.

Prior to 20 December 2019 Optics was a profitable stand-alone business operating within the Wipac Limited legal entity but with its business closely related to the Group's Technical Plastics division and with its principal supplier being CTP Czech. Reacquiring Optics secures a major customer for the CTP Czech business.

Consideration for the acquisition was £0.25 million and the fair value of the identifiable net assets acquired was £0.25 million.

Acquisition-related costs

The Group incurred acquisition-related costs of £0.050 million on legal fees and professional advisor costs. These costs have been included in "exceptional items" in the Group's consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

6 Leases

The Group initially applied IFRS 16 Leases from 1 April 2019.

The Group's leases are principally for warehouse and manufacturing facilities with a small number of vehicles and other plant and machinery.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1g).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

As a lessee, the Group leases several assets including property, production equipment, vehicles and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review for right-of-use assets.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within twelve months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17

The Group leased a small number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact of transition upon the financial statements

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

	1 April 2019 £000
Right-of-use assets – property, plant and equipment	5,669
Deferred tax asset	—
Lease liabilities	5,669
Retained earnings	—

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 4.78%.

	2019 £000
Operating lease commitments at 31 March 2019 under IAS 17 in the Group financial statements	8,084
Effect of using the incremental borrowing rate at 31 March 2019	(569)
Finance lease liabilities recognised as at 31 March 2019	1,524
Less: recognition exemption for leases of low-value assets	(17)
Less: recognition exemption for leases with less than twelve months of lease term at transition	(296)
Less: break options on properties of discontinued operations reasonably certain to be exercised	(1,533)
Lease liabilities recognised at 1 April 2019	7,193

The warehouse and factory leases were entered into at various points in the past and in some cases as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17.

The Group leased a small quantity of production equipment under a number of leases, which were classified as finance leases under IAS 17. These were largely disposed of upon the exit of the LED Technologies business during the period.

The Group leases office and IT equipment with contract terms typically of one to ten years. These leases are short term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties are presented as property, plant and equipment (see note 16).

	Land and buildings £000	Plant and equipment £000	Total £000
Balance at 1 April 2019	5,109	2,030	7,139
Depreciation charge for the year	(1,579)	(773)	(2,352)
Additions to right-of-use assets	2,431	229	2,660
Derecognition of right-of-use assets	(1,122)	(1,206)	(2,328)
Balance at 31 March 2020	4,839	280	5,119

Amounts recognised in profit or loss

	2020 £000
2020 – Leases under IFRS 16	
Interest on lease liabilities	199
Expenses relating to short-term leases	296
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	17
	2019 £000
2019 – Operating leases under IAS 17	
Lease expense	2,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

6 Leases continued

Amounts recognised in consolidated statement of cash flows

	2020 £000
Total cash outflow for leases	(3,634)

Break options

Some property leases contain break options exercisable by the Group, typically at the five-year anniversary of the lease inception. Where practicable, the Group seeks to include break options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the break options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the break options, would result in a decrease in lease liabilities of £0.7 million.

7 Revenue from contracts with customers

a) Nature of goods and services

The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenues. For more detailed information about reportable segments, see note 3.

i) Technical Plastics segment:

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

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

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, on delivery of individual manufactured products to customers.

Tooling

The Technical Plastics business also designs, builds and validates injection moulding tools for customers which together is described as the "tooling" performance obligation.

Under IFRS 15, an input method of measuring progress towards complete satisfaction of the tooling performance obligation is used, based on costs incurred using a cost to complete approach (i.e. the "percentage of completion method").

This is considered appropriate since the pattern of incurring of costs is representative of the enhancement of the tool.

Some Technical Plastics contracts include both tooling and manufacturing as performance obligations.

ii) LED Technologies segment:

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

Premium Automotive Lighting

Manufacturing

Control of manufactured finished goods transferred to customers on delivery. Therefore revenue was recognised at a point in time, on delivery of individual manufactured products to customers.

Tooling

Premium Automotive Lighting contracts were complex and varied in scope and detail.

For design, development and tooling, which is generally a single performance obligation, revenue was recognised over time using an output measure of value delivered to the customer based on project milestones reached.

iii) Aerospace segment:

The Aerospace segment manufactures components for the aerospace industries.

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, on delivery of individual manufactured products to customers.

b) Disaggregation of revenue

	Continuing operation				Discontinued operation		Group total 2020 £000	Group total 2019 £000
	Technical Plastics 2020 £000	Technical Plastics 2019 ¹ £000	Aerospace 2020 £000	Aerospace 2019 £000	LED Technologies 2020 £000	LED Technologies 2019 ¹ £000		
Major products/service lines								
Manufacturing	94,073	87,874	7,453	6,720	34,492	25,659	136,018	120,253
Tooling	8,981	10,744	—	—	1,290	13,854	10,271	24,598
	103,054	98,618	7,453	6,720	35,782	39,513	146,289	144,851
Timing of revenue recognition								
Products transferred at a point in time	94,073	87,874	7,453	6,720	34,492	25,659	136,018	120,253
Products and services transferred over time	8,981	10,744	—	—	1,290	13,854	10,271	24,598
	103,054	98,618	7,453	6,720	35,782	39,513	146,289	144,851

1. The comparatives have been restated to remove the Optics business from the LED Technologies segment and to present it within the Technical Plastics segment (see note 3).

c) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020 £000	2019 £000
Trade receivables (see note 20)	15,319	23,046
Contract assets (see note 19)	1,424	20,264
Contract liabilities	(1,607)	(2,540)
	15,136	40,770

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on its tooling contracts in Technical Plastics.

The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities relate to the advance consideration received from customers before the related revenue has been recognised; this applies to tooling contracts in Technical Plastics.

In the prior period contract assets and contract liabilities predominantly related to tooling and premium automotive lighting contracts in the LED Technologies segment which was disposed of during the period – see note 4.

d) Transaction price allocated to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are (partially) unsatisfied at the reporting date:

The Group is making use of the practical expedient not to include revenue on contracts with an original expected duration of one year or less.

Revenue expected to be received

	2021 £000	2022 £000	2023 £000	2024 £000
Tooling – Technical Plastics	1,607	—	—	—
	1,607	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

8 Operating profit

Operating profit is arrived at as follows:

	2020 £000	2019 £000
Revenue	110,506	105,338
	110,506	105,338
(Decrease)/increase in stocks of finished goods and work in progress	(960)	1,657
Raw materials and consumables	38,847	35,973
Personnel expenses (see note 9)	32,747	29,947
Impairment loss on trade and other receivables, including contract assets	—	21
Amortisation of intangible assets	172	176
Depreciation of property, plant and equipment	5,951	4,344
Current auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	100	—
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	116	—
Total	216	—
Former auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	100	119
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	—	94
Audit related assurance services	—	15
Total	100	228
Operating lease rentals (comparative period only):		
Property	—	1,619
Plant and machinery	—	130
Total	—	1,749
Exceptional costs:		
Rationalisation costs (see note 10)	4,065	1,014
Charge in respect of retirement benefits (see note 24)	—	3,559
Costs associated with proposed offer (see note 10)	—	52
Profit arising on the disposal of surplus properties (see note 10)	—	(118)
Impairment of Aerospace (see note 10)	1,405	—
Total	5,470	4,507
Foreign exchange (gains)	(328)	(95)
Pension scheme administration costs	597	496
Other operating charges	25,851	24,452
	108,663	103,455
Operating profit	1,843	1,883

9 Personnel expenses

	2020 £000	2019 £000
Wages and salaries	38,701	35,528
Social security contributions	4,768	4,673
Charge in respect of defined contribution and other pension plans	1,481	1,559
Share-based payments (see note 28)	76	36
	45,026	41,796
Exceptional charges in respect of past service costs (see notes 10, 24)	—	3,559
	45,026	45,355

Redundancy costs of £0.076 million (2019: £0.250 million) are excluded from the above analysis and are included within exceptional items as set out in note 10.

Other staff costs of £0.207 million (2019: £nil) are excluded from the above analysis and are included within exceptional items as set out in note 10.

Directors' remuneration and emoluments, which are included in this analysis, are described in the Directors' remuneration report on pages 42 to 56.

The gains made by the Directors on the vesting of PSP awards during the period were:

	2020 £000	2019 £000
C Malley	—	76
S Matthews-DeMers	—	—
A Collins	—	n/a
M Durkin-Jones	—	n/a
M Rollins	—	n/a

The average monthly number of persons employed by the Group during the year was as follows:

	2020 Number of employees	2019 Number of employees
By segment		
Unallocated	20	22
Technical Plastics	971	957
LED Technologies (discontinued)	411	451
Aerospace	73	71
	1,475	1,501
By geographic location		
United Kingdom	688	699
North America	377	334
Rest of world	410	468
	1,475	1,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2020

10 Exceptional items

	2020 £000	2019 £000
Continuing operations		
Rationalisation costs	(4,065)	(1,014)
Charge in respect of retirement benefits – see note 24	—	(3,559)
Costs associated with proposed offer	—	(52)
Profit arising on the disposal of surplus properties	—	118
Impairment of Aerospace – see note 15	(1,405)	—
	(5,470)	(4,507)
Discontinued operations		
Rationalisation costs	(1,807)	(921)
Impairment of LED Technologies – see note 4	(1,501)	(8,480)
Loss on disposal of discontinued operations – see note 4	(2,962)	—
	(6,270)	(9,401)
	(11,740)	(13,908)

Rationalisation costs on continuing operations during the period relate to the restructuring and refinancing of the Group; £3.0 million of this is in respect of legal and professional fees, £0.3 million is in respect of consultant fees, £0.3 million is in respect of bank fees, and £0.4 million is in respect of exceptional pension scheme administration costs.

Rationalisation costs on discontinued operations during the period relate to the restructuring of the Wipac businesses; £0.8 million of this is in respect of the cost of exiting medium volume automotive lighting contracts, and £1.0 million is in respect of legal and professional fees.

The prior period £3.6 million charge in relation to retirement benefits relates to the cost of GMP equalisation. See note 24 for further details.

11 Finance revenue and expense

	2020 £000	2019 £000
Finance revenue comprises:		
Interest receivable on cash at bank	103	58
Finance revenue	103	58
Finance expense comprises:		
Bank loans and overdrafts	(1,263)	(1,202)
Lease interest	(214)	(72)
Other	(89)	(57)
Net interest on the net defined benefit liability	(1,122)	(788)
Finance expense	(2,688)	(2,119)

12 Income tax expense

	2020 £000	2019 £000
The expense recognised in the consolidated income statement comprises:		
United Kingdom corporation tax		
Corporation tax on losses for the current year	—	108
Adjustments for prior years	265	(83)
Overseas taxation		
Current tax	(1,352)	(1,272)
Total current tax net expense	(1,087)	(1,247)
Deferred tax expense		
Origination and reversal of temporary differences:		
Deferred tax	(364)	1,026
Deferred tax – exceptional derecognition of deferred tax assets	—	(3,978)
Adjustments for prior years	—	221
Rate change	—	—
Total deferred tax charge – see note 23	(364)	(2,731)
Total income tax expense recognised in the consolidated income statement	(1,451)	(3,978)

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2020		2019	
	£000	%	£000	%
Loss before tax	(9,960)		(14,654)	
Income tax using standard rate of UK corporation tax of 19% (2019: 19%)	(1,892)	19.0	(2,784)	19.0
Other items not deductible for tax purposes	2,769	(27.8)	(486)	3.3
Losses attributable to Wipac	3,311	(33.2)	2,677	(18.3)
Income not taxable	(1,774)	17.8	—	—
Adjustments in respect of overseas tax rates	286	(2.9)	207	(1.4)
Other temporary differences	(1,184)	11.9	142	(1.0)
Exceptional derecognition of deferred tax assets	—	—	3,978	(27.1)
Adjustment to current tax in respect of prior periods (UK and overseas)	(265)	2.7	83	(0.6)
Adjustments to deferred tax in respect of prior periods (UK and overseas)	—	—	(221)	1.5
Foreign taxes expensed in the UK	200	(2.0)	382	(2.6)
Total income tax expense	1,451	(14.5)	3,978	(27.2)

A net tax credit of £0.013 million (2019 charge: £2.760 million) has been classified as exceptional items, in relation to non-UK rationalisation and restructuring costs.

A net tax charge of £0.094 million (2019 charge: £1.047 million) has been recognised on discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

12 Income tax expense **continued**

Factors affecting the tax charge for the year **continued**

Tax on items charged outside of the consolidated income statement:

	2020 £000	2019 £000
Recognised in other comprehensive income:		
Deferred tax relating to actuarial remeasurement of the defined benefit scheme	—	5,260
Foreign exchange movements	124	61
Total income tax charged to other comprehensive income	124	5,321
Recognised in equity:		
Share-based payments	—	218
Total income tax charged to equity	—	218

13 Earnings per share

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

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

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

	2020 £000	2019 £000
Loss after tax but before loss on discontinued operations	(1,900)	(2,939)
Loss attributable to non-controlling interests	—	—
Loss attributable to ordinary shareholders from continuing operations	(1,900)	(2,939)
Loss on discontinued operations, net of tax	(9,509)	(15,693)
Loss after tax, attributable to equity holders of the parent	(11,409)	(18,632)
	2020 Shares	2019 Shares
Weighted average number of ordinary shares in the year	73,419,193	73,374,078
Effect of share options in issue	—	—
Weighted average number of ordinary shares (diluted) in the year	73,419,193	73,374,078

In addition to the above, the Company also calculates an earnings per share based on underlying profit as the Board believes 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:

	2020 £000	2019 £000
Loss after tax, attributable to equity holders of the parent	(11,409)	(18,632)
Continuing operations:		
Rationalisation and restructuring costs, net of tax	4,052	915
Charge in respect of retirement benefits, net of tax	—	3,559
Costs associated with proposed offer, net of tax	—	52
Credit arising on the disposal of surplus properties, net of tax	—	(118)
Derecognition of UK deferred tax assets	—	1,975
Impairment of Aerospace, net of tax	1,405	—
Discontinued operations:		
Rationalisation and restructuring costs, net of tax	1,807	922
Impairment of LED Technologies, net of tax	1,501	8,480
Loss on disposal of discontinued operations, net of tax	2,962	—
Derecognition of UK deferred tax assets	—	883
Underlying profit/(loss) attributable to equity holders of the parent	318	(1,964)
Underlying operating profit – continuing operations	7,313	6,390
Finance revenue – continuing operations	97	35
Finance expense – continuing operations	(2,485)	(1,926)
Income tax expense – continuing operations	(1,355)	(2,931)
Underlying profit attributable to equity holders of the parent – continuing operations	3,570	1,568

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

	2020 Pence	2019 Pence
Basic (loss)/earnings per share – continuing operations	(2.6)	(4.0)
Basic (loss)/earnings per share – discontinued operations	(13.0)	(21.4)
Basic (loss)/earnings per share	(15.5)	(25.4)
Diluted (loss)/earnings per share – continuing operations	(2.6)	(4.0)
Diluted (loss)/earnings per share – discontinued operations	(13.0)	(21.4)
Diluted (loss)/earnings per share	(15.5)	(25.4)
Underlying earnings per share – basic – continuing operations	4.9	2.1
Underlying loss per share – basic – discontinued operations	(4.5)	(4.8)
Underlying earnings/(loss) per share – basic	0.4	(2.7)
Underlying earnings per share – diluted – continuing operations	4.9	2.1
Underlying loss per share – diluted – discontinued operations	(4.5)	(4.8)
Underlying earnings/(loss) per share – diluted	0.4	(2.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

14 Dividends paid and proposed

The Directors are not proposing a final dividend for the year ended 31 March 2020.

No interim dividend has been paid after the year end.

15 Intangible assets

	Goodwill £000	Patents and development costs £000	Customer related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 31 March 2018	25,379	29,814	997	2,085	58,275
Additions	—	—	—	87	87
Reclassification from tangible, non-current assets	—	—	—	47	47
Effect of movements in foreign exchange	305	—	45	38	388
Balance at 31 March 2019	25,684	29,814	1,042	2,257	58,797
Additions	—	—	—	19	19
Acquisitions through business combinations	—	—	—	16	16
Disposals	(741)	(12,729)	—	(6)	(13,476)
Disposals of business	(1,070)	(351)	(487)	(645)	(2,553)
Effect of movements in foreign exchange	254	—	28	23	305
Balance at 31 March 2020	24,127	16,734	583	1,664	43,108
Amortisation					
Balance at 31 March 2018	1,492	29,733	493	1,246	32,964
Amortisation for the year	—	20	66	193	279
Impairment	1,060	61	53	191	1,365
Effect of movements in foreign exchange	17	—	15	13	45
Balance at 31 March 2019	2,569	29,814	627	1,643	34,653
Amortisation for the year	—	—	58	114	172
Impairment	1,405	—	—	—	1,405
Disposals	(741)	(12,729)	—	(6)	(13,476)
Disposals of business	(1,070)	(351)	(485)	(634)	(2,540)
Effect of movements in foreign exchange	2	—	2	10	14
Balance at 31 March 2020	2,165	16,734	202	1,127	20,228
Carrying amounts					
At 1 April 2018	23,887	81	504	839	25,311
At 31 March 2019	23,115	—	415	614	24,144
At 31 March 2020	21,962	—	381	537	22,880

Impairment reviews were carried out at 31 March 2020 and an impairment of £1.405 million was recognised on intangible assets in respect of the Aerospace cash generating unit.

Impairment tests for cash generating units containing goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of the goodwill has been allocated to the Group's principal CGUs, being the operating segments described in the operating segment descriptions in note 3.

The following cash generating units have significant carrying amounts of goodwill post impairment:

	2020 £000	2019 £000
Technical Plastics	21,962	21,747
Aerospace	—	1,368
	21,962	23,115

Technical Plastics

There has been a change in the valuation technique used to value this CGU and the impairment review of the Technical Plastics cash generating unit was based on an estimate of fair value less costs of disposal ("FVLCD") as this method had already been calculated and considered by management as part of the restructuring analysis underpinning the financing agreements that have been entered into with the Group's bank and the Group pension scheme subsequent to the balance sheet date (see note 35). In the prior period this was based on a calculation of value-in-use.

The FVLCD valuation uses an estimate of the value which would be expected to be received from a third party in a sale of the CGU, net of estimated sale costs. This valuation is a level 3 measurement which is based on inputs which are normally unobservable to market participants.

The earnings multiple is a key assumption and this has been based on tailored advice provided by a competent third-party advisor. The level of earnings is another key assumption and is based on current, Board-approved EBITDA forecasts.

Sensitivity testing of the recoverable amount to reasonably possible changes in key assumptions, including earnings and earnings multiples, has been performed. A reduction in EBITDA of 1.8% applied to historical earnings would reduce the headroom on the Technical Plastics CGU to £nil. However, subsequent to the balance sheet date the CGU has been trading ahead of its forecast and new medical customer contracts secured after the balance sheet date, which are incremental to the CGU's earnings forecasts, support the earnings multiple used in the FVLCD valuation.

Aerospace

There has been a change in the valuation technique used to value this CGU and the impairment review of the Aerospace cash generating unit was based on an estimate of fair value less costs of disposal ("FVLCD") as this method had already been calculated and considered by management as part of the restructuring analysis underpinning the financing agreements that have been entered into with the Group's bank and the Group pension scheme subsequent to the balance sheet date (see note 35). In the prior period this was based on a calculation of value-in-use.

The FVLCD valuation uses an estimate of the value which would be expected to be received from a third-party in a sale of the CGU, net of estimated sale costs. This valuation is a level 3 measurement which is based on inputs which are normally unobservable to market participants.

The earnings multiple is a key assumption and this has been based on tailored advice provided by a competent third party advisor. The level of earnings is another key assumption and is based on current, Board-approved EBITDA forecasts.

The aerospace industry-wide uncertainty experienced due to COVID-19 in the latter part of the period and since the balance sheet date brings significant uncertainty to the earnings multiple that would be expected to be achieved in the event of a third party sale of the CGU, and likewise to the forecast earnings of the CGU under a value-in-use model. As such, management considers it appropriate to adopt an earnings multiple at the lower end of the expected range to determine FVLCD and under this valuation the goodwill relating to the Aerospace CGU was impaired with a charge of £1.405 million recognised. Property, plant and equipment and other working capital balances within the Aerospace CGU were not impaired on the basis that the assets were held at the recoverable amount.

The recoverable amount of the Aerospace CGU is shown in the segment reporting note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

16 Property, plant and equipment

	Land and buildings £000	Assets under construction £000	Plant and equipment £000	Total £000
Cost				
Balance at 31 March 2018	28,871	2,867	69,969	101,707
Additions	814	2,357	4,651	7,822
Disposals	(125)	—	(1,073)	(1,198)
Reclassification	67	—	(136)	(69)
Effect of movements in foreign exchange	635	—	817	1,452
Balance at 31 March 2019	30,262	5,224	74,228	109,714
Recognition of right-of-use asset on initial application of IFRS 16	5,517	—	152	5,669
Adjusted balance at 31 March 2019	35,779	5,224	74,380	115,383
Additions	2,813	—	9,276	12,089
Acquisitions through business combinations	—	—	307	307
Disposals	(9)	—	(3,332)	(3,341)
Disposal of business	(5,768)	(5,224)	(15,632)	(26,624)
Effect of movements in foreign exchange	365	—	468	833
Balance at 31 March 2020	33,180	—	65,467	98,647
Depreciation and impairment losses				
Balance at 31 March 2018	7,451	—	47,810	55,261
Depreciation charge for the year	1,266	—	3,994	5,260
Disposals	—	—	(1,057)	(1,057)
Reclassification	—	—	(22)	(22)
Impairment	589	2,724	3,802	7,115
Effect of movements in foreign exchange	237	—	425	662
Balance at 31 March 2019	9,543	2,724	54,952	67,219
Depreciation charge for the year	2,968	—	3,797	6,765
Disposals	(9)	—	(1,159)	(1,168)
Transfers	(1,093)	—	1,093	—
Impairment	—	—	1,501	1,501
Disposal of business	(612)	(2,724)	(13,201)	(16,537)
Effect of movements in foreign exchange	183	—	289	472
Balance at 31 March 2020	10,980	—	47,272	58,252
Carrying amounts				
At 1 April 2018	21,420	2,867	22,159	46,446
At 31 March 2019	20,719	2,500	19,276	42,495
At 31 March 2020	22,200	—	18,195	40,395

At 31 March 2020, properties with a carrying amount of £2.815 million were subject to a registered charge in favour of the Group pension scheme (2019: £4.429 million).

An impairment review at 30 September 2019 identified an impairment of £1.501 million which was recognised on plant and equipment in respect of the LED Technologies operating segment. This has been presented within exceptional items on discontinued operations. These assets were disposed of during the period – see note 4.

Property, plant and equipment includes right-of-use assets as set out in note 3.

17 Investments

	2020 £000	2019 £000
Equity securities at FVOCI	—	7
	—	7

During the year the Group donated the equity securities at FVOCI to a charitable organisation.

18 Inventories

	2020 £000	2019 £000
Raw materials and consumables	5,592	11,207
Work in progress	579	699
Finished goods	8,030	7,751
	14,201	19,657

The value of inventories is stated after impairment for obsolescence and write downs to net realisable value of £1.306 million (2019: £2.030 million).

19 Contract assets

	2020 £000	2019 £000
Contract assets – see note 7	1,424	20,264

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets.

To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and are therefore not past due. The Group has reviewed the risk characteristics and considers them to be the same as the trade receivables not past due for the same types of contracts. The Group has concluded that the expected loss rates for the contract assets are therefore £nil.

20 Trade and other receivables

	2020 £000	2019 £000
Amounts due within one year		
Trade receivables	15,359	23,093
Less impairment provisions	(40)	(47)
	15,319	23,046
Prepayments	1,187	5,160
Other debtors	3,269	3,895
Trade and other receivables – due within one year	19,775	32,101
Amounts due after one year		
Other debtors and prepayments	114	126
Trade and other receivables – due after one year	114	126

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The lifetime expected loss allowance takes into account historical credit loss and impairment experience for the ongoing customer base as well as recent credit intelligence for key customer accounts which in turn takes into account the impacts on COVID-19 on credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

20 Trade and other receivables continued

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 31 March 2020 was determined as follows for trade receivables:

	2020			2019		
	Gross carrying amount £000	Loss allowance £000	Expected loss rate %	Gross carrying amount £000	Loss allowance £000	Expected loss rate %
Not past due	12,229	—	0.0%	17,728	—	0.0%
Past due 0 – 30 days	1,934	—	0.0%	4,055	—	0.0%
Past due 31 – 60 days	954	—	0.0%	321	6	1.9%
Past due 61 – 120 days	156	—	0.0%	214	—	0.0%
More than 120 days	46	16	34.8%	751	17	2.3%
	15,319	16	0.1%	23,069	23	0.1%

The movement in the allowance for impairment in respect of trade receivables and contract assets during the period was as follows:

	2020 £000	2019 £000
Balance at 1 April	23	2
Amounts written off	—	—
Net measurement of loss allowance	(7)	21
Balance at 31 March	16	23

21 Cash and cash deposits

	2020 £000	2019 £000
Cash at bank and in hand	19,309	10,330
	19,309	10,330

22 Interest bearing loans and borrowings

	2020 £000	2019 £000
Current:		
Bank overdrafts	10,957	17,368
Bank loans	30,442	29,893
Lease liabilities	1,405	494
Other loans	—	8
	42,804	47,763
Non-current:		
Lease liabilities	3,845	1,030
Other loans	17	18
	3,862	1,048
Total interest bearing loans and borrowings	46,666	48,811

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2020, the gross amount of overdraft facilities available was £5.8 million (2019: £18.0 million) and £5.0 million (2019: £17.0 million) of this is a UK sub-group net overdraft facility of which £0.5 million was utilised at the year end (2019: £12.3 million) net of qualifying cash balances.

Bank loans include £30.4 million (2019: £29.9 million) secured on the assets of the Group.

At 31 March 2020, the Group had medium-term multi-currency revolving loan facilities totalling £30.0 million (2019: £30.0 million). These facilities were entered into on 27 March 2015 with the Group's principal UK banker and during the period were extended to 31 January 2021. At 31 March 2020, these facilities were drawn to the extent of £30.4 million (2019: £29.9 million), which is possible due to a foreign exchange allowance included in the facility, and incur interest at the rate of between 1.10% and 3.75% above the relevant currency base rate.

The bank loan facilities are secured by guarantees from certain Group companies and by fixed and floating charges over certain of the assets of a number of the Group's companies. At 31 March 2020, the gross value of the assets secured, which includes applicable intercompany balances, amounted to £25.4 million (2019: £75.7 million). Excluding intercompany balances the value of the security was £25.0 million (2019: £74.4 million).

After the balance sheet date 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 £34.5 million, of which £3.0 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility maturing on 31 July 2023.

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

	Bank overdrafts used for cash management purposes £000	Bank loans £000	Lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2018	15,185	29,253	—	—	44,438
Changes from financing cash flows					
Drawings on term loan facilities	—	215	—	—	215
New loans	—	—	—	26	26
Cash outflow in respect of performance share plan awards	(52)	—	—	—	(52)
Repayment of lease liabilities	—	—	(453)	—	(453)
	(52)	215	(453)	26	(264)
The effect of changes in foreign exchange rates	(11)	425	—	—	414
Liability-related other changes					
Changes in bank overdraft	1,102	—	—	—	1,102
New leases liabilities	—	—	1,977	—	1,977
Interest expense	1,202	—	—	—	1,202
Interest receivable	(58)	—	—	—	(58)
	2,246	—	1,977	—	4,223
Equity-related other changes	—	—	—	—	—
Balance at 31 March 2019	17,368	29,893	1,524	26	48,811
Recognition on initial application of IFRS 16 Leases	—	—	5,669	—	5,669
Adjusted balance at 31 March 2019	17,368	29,893	7,193	26	54,480
Changes from financing cash flows					
Repayment of other loan facilities	—	—	—	(9)	(9)
Repayment of finance leases	—	—	(3,122)	—	(3,122)
	—	—	(3,122)	(9)	(3,131)
The effect of changes in foreign exchange rates	54	549	—	—	603
Liability-related other changes					
Changes in bank overdraft	(7,746)	—	—	—	(7,746)
Disposal of business (see note 4)	(183)	—	(1,481)	—	(1,664)
New leases liabilities	—	—	2,660	—	2,660
Interest expense	1,568	—	—	—	1,568
Interest receivable	(104)	—	—	—	(104)
	(6,465)	—	1,179	—	(5,286)
Equity-related other changes	—	—	—	—	—
Balance at 31 March 2020	10,957	30,442	5,250	17	46,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

23 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020 £000	2019 £000
Assets:		
Short-term timing differences	242	155
Tax losses	165	287
Deferred tax assets	407	442
Liabilities:		
Intangible assets	(2,654)	(2,416)
Property, plant and equipment	(1,271)	(1,480)
Short-term timing differences	(234)	(35)
Foreign tax on undistributed foreign profits	(400)	(120)
Deferred tax liabilities	(4,559)	(4,051)
Net deferred tax liability	(4,152)	(3,609)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2020 £000	2019 £000
Tax losses – trading	2,198	1,768
Tax losses – capital	253	227
Tax losses – non-trading	692	267
Property, plant and equipment	873	2,724
Short-term timing differences	10	92
Employee benefits	7,674	8,350
	11,700	13,428

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse. The nature of the tax regimes in certain of the regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain. This was not the case at 31 March 2020. Similarly, non-trading losses will only be utilised against future non-trading profits. No such non-trading profits are foreseen at 31 March 2020.

£0.2 million of the tax losses recognised at 31 March 2020 are time restricted to five years, the remainder are available to carry forward without time restriction.

At 31 March 2020, £0.4 million of deferred tax liabilities were recognised for taxes that would be deductible on the unremitted earnings of the Group's overseas subsidiary undertakings (2019: £0.1 million). As the Group policy is to continually reinvest in those businesses, provision has not been made against unremitted earnings that are not planned to be remitted. If all earnings were remitted it is estimated that £0.1 million of additional tax would be payable (2019: £0.8 million). It is expected that the additional withholding tax, that may be payable in the event that after Brexit dividends from subsidiaries localised in the EU were to become subject to withholding tax, is £0.1 million.

Deferred tax assets and liabilities at 31 March 2020 have been calculated based 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%.

	Balance as at 1 Apr 19 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 20 £000
Property, plant and equipment	(1,480)	209	—	(1,271)
Intangible assets	(2,416)	(59)	(179)	(2,654)
Short-term timing differences	120	(112)	—	8
Tax losses	287	(122)	—	165
Foreign tax on undistributed foreign profits	(120)	(280)	—	(400)
	(3,609)	(364)	(179)	(4,152)

	Balance as at 1 Apr 18 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 19 £000
Property, plant and equipment	1,311	(2,730)	(61)	(1,480)
Intangible assets	(2,407)	(9)	—	(2,416)
Employee benefits	5,066	194	(5,260)	—
Share-based payments	212	6	(218)	—
Short-term timing differences	9	111	—	120
Tax losses	470	(183)	—	287
Foreign tax on undistributed foreign profits	—	(120)	—	(120)
	4,661	(2,731)	(5,539)	(3,609)

24 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.

In the UK, Carclo plc sponsors the Carclo Group Pension Scheme (the "Scheme"), a funded defined benefit pension scheme which provides defined benefits for some of its members. This is a legally separate, trustee administered fund holding the Scheme's assets to meet long-term pension liabilities for some 3,009 current and past employees as at 31 March 2018.

The Trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the Trustees is determined by the Scheme's trust documentation. It is policy that one-third of all Trustees should be nominated by the members. The Trustees currently comprise three Company-nominated trustees of which one is an independent professional trustee and one is the Chairperson as well as one member-nominated trustee, with an ongoing process to appoint a second member-nominated trustee. The Trustees are also responsible for the investment of the Scheme's assets.

The Scheme provides pensions and lump sums to members on retirement and to their dependants on death. The level of retirement benefit is principally based on final pensionable salary prior to leaving active service and is linked to changes in inflation up to retirement. The defined benefit scheme is closed to new entrants who now have the option of entering into a defined contribution scheme and the Company has elected to cease future accrual for existing members of the defined benefit scheme such that members who have not yet retired are entitled to a deferred pension.

The Company currently pays contributions to the Scheme as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

The Scheme is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

A full actuarial valuation was carried out as at 31 March 2015 in accordance with the scheme funding requirements of the Pensions Act 2004. The funding of the Scheme is agreed between the Group and the Trustees in line with those requirements. These in particular require the surplus or deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions. This 31 March 2015 actuarial valuation showed a deficit of £46.1 million. Under the recovery plan agreed with the Trustees following the 2015 valuation, the Group agreed that it would aim to eliminate the deficit over a period of 14 years 8 months from 1 November 2015 by the payment of annual contributions of £1.2 million which increase at 2.9% per annum, together with the assumed asset returns in excess of the rate used to discount the liabilities. Under that plan, the amount payable for the year ending 31 March 2020 would have been £1.3 million plus expenses of the Scheme and the Pension Protection Fund ("PPF") levy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

24 Retirement benefit obligations continued

During the year a Memorandum of Understanding was signed on 21 July 2019 and provides for a change to the contributions payable by the Group so that the equivalent of £225,000 per month is payable from July 2019 to January 2021 inclusive. For the year ending 31 March 2020, the contributions totalled £2.025 million including scheme expenses and PPF levy and for the period after the balance sheet date until 31 January 2021 the contributions including scheme expenses and PPF levy will be £2.250 million.

Subsequent to the balance sheet date the triennial actuarial valuation as at 31 March 2018 was finalised and an updated recovery plan agreed with the trustees whereby deficit repair contributions to be paid to the Scheme over the three years to 31 March 2023 are £2.8 million, £3.9 million and £3.8 million respectively.

On the disposal of the Wipac business (see note 4) the Trustees agreed to the release of the security that was held over the principal property used in the Wipac business and in consideration received £3.5 million of the proceeds which has been included in contributions by employer in the year.

For the purposes of IAS 19 the preliminary results of the actuarial valuation as at 31 March 2018, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2020. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

The Scheme exposes the Group to actuarial risks and the key risks are set out in the table below. In each instance these risks would detrimentally impact the Group's balance sheet position and may give rise to increased interest costs in the Group income statement. The Trustees could require higher cash contributions or additional security from the Group.

The Trustees manage governance and operational risks through a number of internal controls policies, including a risk register and integrated risk management.

Risk	Description	Mitigation
Investment risk	Weaker than expected investment returns result in a worsening in the Scheme's funding position.	The Trustees continually monitor investment risk and performance and have established an investment sub-committee which includes a Group representative, meets regularly and is advised by professional investment advisors. Fiduciary investment management operates for tactical investment management of the plan assets. The Scheme currently invests approximately 34% of its asset value in a portfolio of diversified growth funds, 28% in liability-driven Investments, 8% in a diversified credit fund and 30% in a money market fund. This investment allocation was put in place to reduce investment risk during the period of financing negotiations between the Company, its bank and the Scheme.
Interest rate risk	A decrease in corporate bond yields increases the present value of the IAS 19 defined benefit obligations. A decrease in gilt yields results in a worsening in the Scheme's funding position.	The Trustees' investment strategy includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates. Approximately 95% of the Scheme's funded liabilities are currently hedged against interest rates using liability-driven investments and the Trustees have a step plan to incrementally increase this level of hedging as its funding position improves. Note that the Scheme hedges interest rate risk on a statutory and long-term funding basis (gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.
Inflation risk	An increase in inflation results in higher benefit increases for members which in turn increases the Scheme's liabilities.	The Trustees' investment strategy includes investing in liability-driven investments which will move with inflation expectations with approximately 80% of the Scheme's inflation linked liabilities being hedged on a funded basis. The growth assets held are expected to provide protection over inflation in the long term.
Mortality risk	An increase in life expectancy leads to benefits being payable for a longer period which results in an increase in the Scheme's liabilities.	The Trustees' actuary provides regular updates on mortality, based on scheme experience, and the assumption continues to be reviewed.

The amounts recognised in the balance sheet in respect of the defined benefit scheme were as follows:

	2020 £000	2019 £000
Present value of funded obligations	(210,386)	(215,391)
Fair value of scheme assets	172,766	166,270
Recognised liability for defined benefit obligations	(37,620)	(49,121)

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the Scheme's liabilities whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In this case as the Scheme is closed to future accrual, the accumulated benefit obligation is equal to the valuation using the projected unit credit method.

All actuarial gains and losses will be recognised in the year in which they occur in other comprehensive income.

The cumulative remeasurement net loss reported in the statement of comprehensive income since 1 April 2004 is £41.885 million.

The present value of the deficit funding commitment to the Carclo Group pension scheme is less than the IAS 19 deficit at the balance sheet date and therefore IFRIC 14 has no effect on the figures disclosed.

Movements in the net liability for defined benefit obligations recognised in the consolidated statement of financial position:

	2020 £000	2019 £000
Net liability for defined benefit obligations at the start of the year	(49,121)	(29,798)
Contributions paid	5,051	1,238
Net expense recognised in the consolidated income statement (see below)	(1,122)	(4,347)
Remeasurement gains/(losses) recognised in other comprehensive income	7,572	(16,214)
Net liability for defined benefit obligations at the end of the year	(37,620)	(49,121)

Contributions paid during the period include a payment of £3.5 million relating to the sale of property formerly owned by Wipac Limited following Administrators being appointed to that company (see note 4).

Movements in the present value of defined benefit obligations:

	2020 £000	2019 £000
Defined benefit obligation at the start of the year	215,391	199,883
Interest expense	5,036	5,243
Actuarial (gains)/losses due to scheme experience	(393)	3,726
Actuarial losses due to changes in demographic assumptions	1,528	8,537
Actuarial losses due to changes in financial assumptions	237	5,900
Benefits paid	(11,413)	(11,457)
Past service costs (see note 10)	—	3,559
Defined benefit obligation at the end of the year	210,386	215,391

There have been no plan amendments, curtailments or settlements during the period.

The English High Court ruling in *Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others* was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions ("GMPs") accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods for equalisation.

The Trustees of the plan will need to obtain legal advice covering the impact of the ruling on the plan, before deciding with the employer on the method to adopt. The legal advice will need to consider (amongst other things) the appropriate GMP equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out for example).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2020

24 Retirement benefit obligations *continued*

The Trustees commissioned scheme-specific calculations to determine the likely impact of the ruling on the Scheme. The initial analysis suggests that an allowance of 1.68% of the total value of the accrued liabilities would be appropriate and that allowance has been made in these disclosures with a resulting past service cost of £3.559 million recognised in the income statement in the comparative period.

The Scheme liabilities are split between active, deferred and pensioner members at 31 March as follows:

	2020 %	2019 %
Active	—	—
Deferred	43	43
Pensioners	57	57
	100	100

Movements in the fair value of Scheme assets:

	2020 £000	2019 £000
Fair value of Scheme assets at the start of the year	166,270	170,085
Interest income	3,914	4,455
Return on Scheme assets excluding interest income	8,944	1,949
Contributions by employer	5,051	1,238
Benefits paid	(11,413)	(11,457)
Fair value of Scheme assets at the end of the year	172,766	166,270
Actual return on Scheme assets	12,858	6,404

The fair value of Scheme asset investments was as follows:

	2020 £000	2019 £000
Diversified growth funds	115,046	126,396
Bonds and liability-driven investment funds	56,725	38,893
Cash	995	981
Total assets	172,766	166,270

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied, or other assets used by the Group.

All of the Scheme assets have a quoted market price in an active market with the exception of the Trustees' bank account balance. Diversified growth funds are pooled funds invested across a diversified range of assets with the aim of giving long-term investment growth with lower short-term volatility than equities.

It is the policy of the Trustees and the Group to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the Scheme are set out in the Statement of Investment Principles.

A proportion of the Scheme's assets is invested in the BMO LDI Nominal Dynamic LDI Fund which provides a degree of asset liability matching.

The expense recognised in the consolidated income statement was as follows:

	2020 £000	2019 £000
Past service cost	—	3,559
Net interest on the net defined benefit liability	1,122	788
	1,122	4,347

The expense is recognised in the following line items in the consolidated income statement:

	2020 £000	2019 £000
Charged to exceptional items	—	3,559
Other finance revenue and expense – net interest on the net defined benefit liability	1,122	788
	1,122	4,347

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were:

	2020	2019
Discount rate at 31 March	2.30%	2.40%
Future salary increases	N/A	N/A
Inflation (RPI)	2.80%	3.30%
Inflation (CPI)	2.30%	2.20%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.80%	3.30%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.30%	2.20%
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.70%	3.20%
Allowance for pension in payment increases of CPI or 3% p.a. if less	2.30%	2.20%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	3.00%	3.30%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	4.00%	4.00%

The mortality assumptions adopted at 31 March 2020 are 137% of the standard tables S3PMA/S3PFA_M, year of birth, no age rating for males and females, projected using CMI_2019 converging to 1.00% p.a. These imply the following life expectancies:

	2020	2019
Life expectancy for a male (current pensioner) aged 65	19.6 years	19.3 years
Life expectancy for a female (current pensioner) aged 65	21.3 years	21.2 years
Life expectancy at 65 for a male aged 45	20.6 years	20.3 years
Life expectancy at 65 for a female aged 45	22.6 years	22.4 years

It is assumed that 75% of the post A-Day maximum for active and deferred members will be commuted for cash (2019: 75%).

The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates, mortality rates and commutation. Due to the relative size of the Scheme's liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the Group balance sheet.

The sensitivity to the principal actuarial assumptions of the present value of the defined benefit obligation is shown in the following table:

	2020 %	2020 £000	2019 %	2019 £000
Discount rate ¹				
Decrease of 0.25% per annum	3.60%	7,574	3.60%	7,754
Decrease of 1.0% per annum	15.7%	33,031	15.7%	33,816
Inflation ²				
Increase of 0.25% per annum	2.00%	4,208	2.00%	4,308
Increase of 1.0% per annum	7.60%	15,989	7.60%	16,370
Decrease of 0.1% per annum	-0.80%	(1,683)	-0.80%	(1,723)
Life expectancy				
Increase of 1 year	3.80%	7,995	3.80%	8,185

1. At 31 March 2020, the assumed discount rate is 2.30% (2019: 2.40%).

2. At 31 March 2020, the assumed rate of RPI inflation is 2.80% and CPI inflation 2.30% (2019: RPI 3.30% and CPI 2.20%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

24 Retirement benefit obligations continued

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases.

The weighted average duration of the defined benefit obligation at 31 March 2020 is 14 years (2019: 14 years).

The life expectancy assumption has been applied by allowing for an increase/decrease in life expectation from age 60 of one year, based upon the approximate weighted average age for the Scheme. Whilst this is an approximate approach and will not give the same result as a one-year increase in life expectancy at every age, it provides an appropriate indication of the potential impact on the Scheme from changes in life expectancy.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

The history of the Scheme's deficits and experience gains and losses is shown in the following table:

	2020 £000	2019 £000
Present value of funded obligation	(210,386)	(215,391)
Fair value of scheme asset investments	172,766	166,270
Recognised liability for defined benefit obligations	(37,620)	(49,121)
Actual return on scheme assets	12,858	6,404
Actuarial (gains)/losses due to scheme experience	393	(3,726)
Actuarial losses due to changes in demographic assumptions	(1,528)	(8,537)
Actuarial losses due to changes in financial assumptions	(237)	(5,900)

25 Provisions

	2020		2019	
	Site closure £000	Total £000	Site closure £000	Total £000
Provisions at the start of the year	333	333	484	484
Provisions used in the period	(310)	(310)	(151)	(151)
Provisions at the end of the year	23	23	333	333
Non-current	—	—	—	—
Current	23	23	333	333
	23	23	333	333

The site closure provision is in respect of exit costs for a site leased by a legacy Group business.

26 Trade and other payables – falling due within one year

	2020 £000	2019 £000
Trade payables	10,561	17,970
Other taxes and social security costs	2,137	2,967
Other creditors	1,732	2,362
Accruals	3,990	8,145
	18,420	31,444

27 Trade and other payables – falling due in more than one year

	2020 £000	2019 £000
Other creditors	—	132
	—	132

28 Ordinary share capital

Ordinary shares of 5 pence each:

	Number of shares	£000
Issued and fully paid at 31 March 2019	73,419,193	3,671
Issued and fully paid at 31 March 2020	73,419,193	3,671

There are 246,333 potential share options outstanding under the performance share plan at 31 March 2020.

Outstanding awards under the performance share plan are as follows:

	Date granted	Number of shares	Price	Earliest date of vesting
Performance share plan	14 July 2017	113,333	£nil	14 July 2020
Performance share plan	31 July 2018	133,000	£nil	31 July 2021
	n/a	—	n/a	n/a

The share options have been awarded to Executive Directors and senior managers within the Group.

The vesting conditions for all share option schemes are three years of service plus the satisfaction of specified performance criteria.

Under the provisions of IFRS 2 a charge is recognised for those share options and awards under the performance share plan issued after 7 November 2002. The Monte-Carlo model is used to calculate the fair value of the performance share plan awards.

The fair value per share of the awards under the performance share plan granted in the year is as follows:

	2020 n/a Award	2019 31 July 2018 Award
Performance share plan		
Fair value at grant date	n/a	85p
Share price at grant date	n/a	107p
Exercise price	n/a	0.0p
Expected volatility	n/a	48.10%
Expected dividend yield	n/a	0.20%

There was no issue of share options during the period ended 31 March 2020.

The amounts recognised in the income statement arising from equity-settled share-based payments was a charge of £0.083 million (2018: charge of £0.036 million).

The number and weighted average exercise prices of share options and performance share plan awards is as follows:

	2020		2019	
	Weighted average exercise price pence	Number of shares	Weighted average exercise price pence	Number of shares
Outstanding at 1 April	—	1,389,333	—	1,400,000
Lapsed during the period	—	(1,143,000)	—	(610,392)
Exercised during the period	—	—	—	(132,275)
Granted during the period	—	—	—	732,000
Outstanding at the end of the period	—	246,333	—	1,389,333
Exercisable at 31 March		—		—
Weighted average remaining life at 31 March	0 months		0 months	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

29 Reserves

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Retained earnings

Netted against retained earnings is the cost of own shares held by the Group. The Company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the Group's share option schemes. As at 31 March 2020 the plan held 3,077 shares (2019: 3,077 shares).

30 Financial instruments

The Group's financial instruments comprise bank loans and overdrafts, cash and short-term deposits. These financial instruments are used for the purpose of funding the Group's operations. In addition, the Group has other financial instruments such as trade receivables and trade payables which arise directly from its operational activities.

The Group is exposed to a range of financial risks as part of its day-to-day activities. These include credit risk, interest rate risk, liquidity risk and foreign currency risk.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or financial institution fails to meet its contractual obligations. The Group's credit risk is mainly attributable to its trade receivables which the Group mitigates by way of credit insurance. Credit insurance is sought for all customers where exposure is in excess of £10,000. In certain instances credit insurance cannot always be obtained or cover has been withdrawn. In such instances, payment terms are re-negotiated and internal credit limits established. The amounts shown in the balance sheet are after making due provision for any doubtful debts.

The Group maintains any surplus cash balances on deposit accounts or legal offset accounts with the Group's principal bank which has a high credit rating assigned by independent international credit rating agencies. In addition, the Group has undrawn net overdraft facilities of £5.363 million at 31 March 2020 (2019: £5.689 million) which are available to mitigate any liquidity risk.

The maximum exposure to credit risk as at 31 March was:

	2020 £000	2019 £000
Quoted investments (see note 17)	—	7
Trade receivables, net of attributable impairment provisions (see note 20)	15,319	23,046
Cash and cash deposits (see note 21)	19,309	10,330
Contract assets (see note 7)	1,424	20,264
	36,052	53,647

Carclo is a worldwide supplier of components and systems. Consequently, the Group's trade receivables and contract assets reside across a broad spectrum of countries with potentially higher attributable credit risk in certain territories. The following tables analyse the geographical location of trade receivables (net of attributable impairment provisions) and of contract assets:

	2020 £000	2019 £000
United Kingdom	6,131	5,927
Rest of Europe	1,550	6,059
North America	5,474	6,587
Rest of world	2,164	4,473
Trade receivables, net of attributable impairment provisions	15,319	23,046
United Kingdom	257	19,483
Rest of Europe	1,167	788
North America	—	(7)
Contract assets, net of attributable impairment provisions	1,424	20,264

b) Interest rate risk

The Group's borrowings are on floating rate terms. In the year to 31 March 2020, interest rates have remained low. This has kept the interest charge borne by the Group at a level comparable with the prior year.

The interest rate profile of financial liabilities by currency of the Group as at 31 March was as follows:

	Fixed rate interest payable £000	Floating rate interest payable £000	Non-interest bearing payable £000	Total £000
As at 31 March 2020				
Sterling	1,456	41,399	—	42,855
US dollar	1,533	—	18	1,551
Euro	1,351	—	—	1,351
Other	909	—	—	909
	5,249	41,399	18	46,666
As at 31 March 2019				
Sterling	1,977	32,617	—	34,594
US dollar	—	7,756	26	7,782
Euro	—	6,435	—	6,435
Other	—	—	—	—
	1,977	46,808	26	48,811

The interest rate profile of financial assets by currency of the Group as at 31 March was as follows:

	Floating rate interest receivable £000	No interest receivable £000	Total £000
As at 31 March 2020			
Sterling	342	1,209	1,551
US dollar	6,472	4,097	10,569
Euro	1,607	1,289	2,896
Other	817	3,476	4,293
	9,238	10,071	19,309
As at 31 March 2019			
Sterling	684	13	697
US dollar	5,227	3	5,230
Euro	2,088	2	2,090
Other	2,284	29	2,313
	10,283	47	10,330

The floating rate of interest earned on cash balances is in the range bank base -1% to bank base +2%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2020

30 Financial instruments *continued*

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by maintaining a mixture of committed long-term revolving credit facilities and short-term overdraft facilities which have been established to ensure that adequate funding is available for its operating, investing and financing activities.

As detailed in note 22, at 31 March 2020 the Group had committed revolving credit facilities of £30 million (2019: £30 million) and additional overdraft facilities totalling £5.815 million (2019: £18.009 million) which are repayable on demand.

The Group's net debt at 31 March 2020 was £27.357 million (2019: £38.481 million). The net debt comprised £46.666 million interest bearing loans and borrowings (see note 22) less £19.309 million cash and cash deposits (see note 21).

The Group's committed revolving credit facilities are available in the UK; overdraft facilities in the UK totalled £5 million at 31 March 2020.

Subsequent to the period end, on 14 August 2020 the Group entered into new UK banking facilities comprising committed term loan facilities of £34.5 million and committed revolving credit facilities of £3.5 million.

The Group performs a detailed, weekly, rolling 13-week cash flow forecast to help manage its short-term liquidity risk. Additionally, the Board monitors a monthly twelve-month Group cash flow forecast comparing it to internal targets and covenants and thresholds established with the Group's bankers.

The maturity of financial liabilities of the Group as at 31 March was as follows:

	Bank overdrafts £000	Bank loans £000	Other loans £000	Lease liabilities £000	Total £000
As at 31 March 2020					
Within 1 year	10,957	30,442	—	1,405	42,804
Within 1 to 2 years	—	—	17	1,682	1,699
Within 2 to 5 years	—	—	—	1,550	1,550
More than 5 years	—	—	—	613	613
	10,957	30,442	17	5,250	46,666
	Bank overdrafts £000	Bank loans £000	Other loans £000	Lease liabilities £000	Total £000
As at 31 March 2019					
Within 1 year	17,368	29,893	8	494	47,763
Within 1 to 2 years	—	—	18	494	512
Within 2 to 5 years	—	—	—	494	494
More than 5 years	—	—	—	42	42
	17,368	29,893	26	1,524	48,811

d) Foreign currency risk

The Group has a number of overseas subsidiary operations. The major overseas subsidiaries are located in the United States, France, the Czech Republic, China and India. Hence the balance sheet of the Group can be affected by the applicable conversion rates, the sterling/US dollar exchange rate in particular. It is the Group's policy to hedge the effect of such structural currency exposures by having borrowings in the appropriate currencies where it is considered efficient to do so. A loan of US\$10.6 million is designated as the hedging instrument against foreign currency exposures in the net investment in the trading subsidiaries in the United States. A loan of €7.5 million is designated as the hedging instrument against foreign currency exposures in the net investment in the European operations.

In addition, the Group is subject to transactional foreign currency exposures arising from the sale and purchase of goods and services in currencies other than the Company's local currency. Historically it has been the Group's policy to hedge such exposure where the net exposure in any one currency exceeds £20,000 on any day using forward contracts. However, within the UK operations opportunities have been exploited to naturally hedge inflows in currencies with similar outflows. It is the Group's policy not to undertake any speculative transactions.

The fair value of the forward contracts at the start and end of the financial year was immaterial. The cash flows associated with the forward contracts are summarised as follows:

	2020		2019	
	Less than 6 months £000	6-12 months £000	Less than 6 months £000	6-12 months £000
Assets	2,056	—	2,601	—
Liabilities	—	—	—	—
	2,056	—	2,601	—

The balance sheet exposure to currency at the year end arising from trading activities is illustrated in the following analysis by currency of the Group's trade receivables and trade payables:

	Sterling £000	US dollar £000	Euro £000	Other £000	Total £000
As at 31 March 2020					
Trade receivables, net of attributable impairment provisions	4,998	5,737	2,703	1,881	15,319
Trade payables	(3,056)	(4,720)	(1,022)	(1,763)	(10,561)
Net	1,942	1,017	1,681	118	4,758
As at 31 March 2019					
Trade receivables, net of attributable impairment provisions	8,070	6,796	4,262	3,918	23,046
Trade payables	(5,593)	(4,806)	(6,454)	(1,117)	(17,970)
Net	2,477	1,990	(2,192)	2,801	5,076

The following table summarises the main exchange rates used during the year:

	Average rate		Reporting date mid-market rate	
	2020	2019	2020	2019
Sterling/US dollar	1.28	1.31	1.25	1.30
Sterling/Euro	1.16	1.13	1.13	1.16
Sterling/Czech koruna	29.7	29.2	30.9	30.0
Sterling/Chinese yuan	8.94	8.81	8.82	8.76
Sterling/Indian rupee	92.7	91.7	93.9	90.6

Fair values

The fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between third parties. Where available, market values are used to determine fair values, otherwise fair values are calculated by discounting expected cash flows at prevailing interest and exchange rates. The fair value of the derivatives and financial instruments was not materially different to the book value at 31 March 2020 and 31 March 2019. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2020 were insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

30 Financial instruments continued

d) Foreign currency risk continued

Hedges of net investments in foreign operations

The Group has net investments in foreign operations in its subsidiaries in North America, France, the Czech Republic, China and India, as detailed in note 3 Segment reporting – Analysis by geographical segment.

A foreign currency exposure arises from the Group's net investments in subsidiaries with foreign currencies i.e. functional currencies other than sterling. The risk arises from the fluctuations in spot exchange rates between these foreign currencies and sterling (in particular the sterling/US dollar exchange rate), which causes the amount of the Group's net investment to vary when translated into sterling.

Part of the Group's net investments in these overseas subsidiaries are hedged by foreign currency denominated, secured bank loans, as detailed in note 22 Interest bearing loans and borrowings. This mitigates the foreign currency risks arising from the subsidiary's net assets. The loan is designated as a hedging instrument for the changes in the value of the net investments that are attributable to changes in the spot exchange rates.

A summary of the Group's hedges of net investments in foreign operations is as follows:

	Carrying amount 2020			Carrying amount 2019		
	Loans and borrowings £000	Assets £000	Liabilities £000	Loans and borrowings £000	Assets £000	Liabilities £000
US dollar	8,511	43,631	(15,145)	8,139	42,586	(12,472)
Euro	6,654	2,268	(1,040)	6,477	3,143	(771)
Other currencies	—	32,599	(8,707)	—	33,472	(8,914)

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

During the year a loss of £0.549 million was recognised on these hedging instruments within other comprehensive income.

During the year there has been no hedge ineffectiveness recognised in profit or loss.

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. In the year ended 31 March 2020, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £0.444 million (2019: £0.626 million decrease).

It is estimated that a general increase of 10% in the value of sterling against the above noted main currencies would have decreased the Group's profit before tax by approximately £0.693 million for the year ended 31 March 2020 (2019: £1.498 million decrease) which is detailed by currency in the following table:

	2020 £000	2019 £000
US dollar	291	680
Euro	76	426
Czech koruna	98	148
Other	228	244
	693	1,498

Capital risk management

The capital structure of the Group consists of net debt (comprising borrowings as detailed in note 22 offset by cash and bank balances) and equity of the Group (comprising issued share capital, reserves and retained earnings as detailed in the statement of changes in equity).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an appropriate capital structure. In order to maintain or adjust the capital structure, the Group will take into account the amount of dividends paid to shareholders, the level of debt and the number of shares in issue. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest charges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board.

31 Cash generated from operations

	2020 £000	2019 £000
(Loss) for the year	(11,409)	(18,632)
Adjustments for:		
Pension fund contributions	(1,551)	(1,238)
Depreciation charge	6,765	5,260
Amortisation of intangible assets	172	279
Exceptional impairment of tangible assets, arising on rationalisation of business	1,501	7,115
Exceptional impairment of intangible assets, arising on rationalisation of business	1,405	1,365
Loss on business disposal	2,962	—
(Profit)/loss on disposal of other plant and equipment	(307)	7
Exceptional charge in respect of retirement benefits	—	3,559
Cash flow relating to provision for site closure costs	(310)	(151)
Share-based payment charge	76	36
Financial income	(104)	(58)
Financial expense	2,690	2,119
Taxation	1,449	3,978
Operating cash flow before changes in working capital	3,339	3,639
Changes in working capital		
(Increase)/decrease in inventories	(653)	456
Decrease/(increase) in contract assets	16,942	(20,264)
Decrease in trade and other receivables	2,531	14,799
(Decrease)/increase in trade and other payables	(367)	2,975
Increase in contract liabilities	11	2,540
Cash generated from operations	21,803	4,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2020

32 Financial commitments

	2020 £000	2019 £000
The Directors have authorised the following future capital expenditure which is contracted:	297	77

33 Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 34), 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

Key management personnel are considered to be the Executive Directors of the Group.

Details of Directors' remuneration can be found in the Directors' remuneration report on pages 42 to 56.

Group pension scheme

During the year Carclo engaged a third party professional firm to administer the Group pension scheme (The Carclo Group Pension Scheme). The associated investment managers' costs are met by the Scheme in full. From 1 April 2007 to 21 July 2019, it had been agreed with the Trustees of the pension scheme that, under the terms of the recovery plan, Carclo would bear the Scheme's administration costs whilst ever the scheme was in deficit, as calculated at the triennial valuation.

Carclo incurred administration costs of £1.027 million during the period, including £0.430 million presented as exceptional rationalisation costs, which has been charged to the consolidated income statement (2019: £0.496 million). The total of deficit reduction contributions and administration costs paid during the period was £2.025 million (2019: £1.734 million).

After the period end a revised schedule of contributions was agreed with the Trustees of the Group pension scheme which determined that contributions of £0.225 million per month will be payable until 1 February 2021, increasing to £0.292 million per month from 1 February 2021 to incorporate both deficit recovery contributions, scheme expenses and PPF levy. An additional £0.750 million is also payable between 30 June 2021 and 30 September 2022 under this revised schedule of contributions.

34 Group entities

Control of the Group

The Group's ultimate parent company is Carclo plc which is incorporated in England.

The ordinary share capital of the subsidiary undertakings are owned by the Company except where indicated.

Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

Company	Registered office address	Principal place of business	Class of shares held	2020 %	2019 %
Acre Mills (UK) Limited		1	UK	Ordinary	100
Arthur Lee & Sons (Hot Rolling Mills) Limited		1	UK	Ordinary	100
Australian Card Clothing Limited		1	UK	Ordinary	100
Bruntons Aero Products Limited		1	UK	Ordinary	100
Bruntons (Musselburgh) Limited		2	UK	Ordinary	100
Brymill Stockholders Limited		1	UK	Ordinary	100
Carclo Diagnostic Solutions Limited		1	UK	Ordinary	100
Carclo Group Services Limited		1	UK	Ordinary	100
Carclo Holding Corporation	190 Elgin Avenue, Grand Cayman, KY1-9005	Cayman Islands	Ordinary	100	100
Carclo Holding Limited		1	UK	Ordinary	100
Carclo Investments Limited		1	UK	Ordinary	100
Carclo Overseas Holdings Limited		1	UK	Ordinary	100
Carclo Technical Plastics Limited		1	UK	Ordinary	100
Carclo Technical Plastics Private Co. Limited	27A (2) KIADB Industrial Area, Doddabalapur, Bangalore – 561203, Karnataka	India	Ordinary	100	100
Carclo Technical Plastics (Mitcham) Limited		1	UK	Ordinary	100
Carclo Technical Plastics (Slough) Limited		1	UK	Ordinary	100
Carclo Zephyr Limited		1	UK	Ordinary	100
CIT Technology Limited		1	UK	Ordinary	100
Critchley, Sharp & Tetlow Limited		1	UK	Ordinary	100
Crowther & Gee Limited		1	UK	Ordinary	100
CTP Davall Limited		2	UK	Ordinary	100
CTP Lichfield Limited		1	UK	Ordinary	100
Carclo Platt Nederland BV	Prof. dr. dorgelolaan 12, 5613 AM, Eindhoven	Netherlands	Ordinary	100	100
CTP Silleck Limited		1	UK	Ordinary	100
CTP Silleck Scotland Limited		2	UK	Ordinary	100
CTP White Knight Limited		1	UK	Ordinary	100
Dell Baler Limited		1	UK	Ordinary	100
Edwin Stead & Sons Limited		1	UK	Ordinary	100
Fairbank Brearley Limited		1	UK	Ordinary	100
Finespark (Horsham) Limited		1	UK	Ordinary	100
Highfield Mills Limited		1	UK	Ordinary	100
Hills Diecasting Company Limited		1	UK	Ordinary	100
Hills Non Ferrous Limited		1	UK	Ordinary	100
Horsfall & Bickham Limited		1	UK	Ordinary	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

34 Group entities continued

Investments in subsidiaries continued

Company	Registered office address	Principal place of business	Class of shares held	2020 %	2019 %
Horsfall Card Clothing Limited	1	UK	Ordinary	100	100
Ironfoil Limited	1	UK	Ordinary	100	100
John Sharp (Wire) Limited	1	UK	Ordinary	100	100
J.W. & H. Platt Limited	1	UK	Ordinary	100	100
Lee of Sheffield Limited	1	UK	Ordinary	100	100
Lee Stainless Steel Services Limited	1	UK	Ordinary	100	100
Leeplas Limited	1	UK	Ordinary	100	100
Metallic Card Clothing Company Limited (The)	1	UK	Ordinary	100	100
Norseman (Cables & Extrusions) Limited	1	UK	Ordinary	100	100
Novoplex Limited	1	UK	Ordinary	100	100
Pratt, Levick and Company Limited	1	UK	Ordinary	100	100
Rumbold Securities Limited	1	UK	Ordinary	100	100
Seymour Plastics Limited	1	UK	Ordinary	100	100
Sheffield Wire Rope Company Limited (The)	1	UK	Ordinary	100	100
Shepley Investments Limited	1	UK	Ordinary	100	100
Smith Wires Limited	1	UK	Ordinary	100	100
Station Road (UK) Limited	1	UK	Ordinary	100	100
Texture Rolled Limited	1	UK	Ordinary	100	100
Thomas White & Sons Limited	2	UK	Ordinary	100	100
Trubrite Limited	1	UK	Ordinary	100	100
Tru-Grit Limited	1	UK	Ordinary	100	100
Wipac IT Services Limited	1	UK	Ordinary	100	100
Woodcock & Booth Limited	1	UK	Ordinary	100	100
Woodhead Limited	1	UK	Ordinary	100	100
Yorkshire Engineering Supplies Limited	1	UK	Ordinary	100	100

1. Registered office address is: PO Box 88, 27 Dewsbury Road, Ossett, West Yorkshire, WF5 9WS.

2. Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk, Industrial Estate, Musselburgh, East Lothian, EH21 7PA.

100% of the share capital in Wipac IT Services Limited was disposed after the balance sheet date on 11 May 2020 for £1.

Group	Registered office address	Principal place of business	Class of shares held	2020 %	2019 %
AA Electronics Design Singapore PTE Limited	One Raffles Place, #10-62, Tower 2	Singapore	Ordinary	100	100
Apollo Steels Limited	1	UK	Ordinary	100	100
Carclo France SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Ordinary	100	100
Carclo Platt Nederland BV	Prof. dr. dorgelolaan 12, 5613 AM, Eindhoven	Netherlands	Ordinary	100	100
Carclo Securities Limited	1	UK	Ordinary	100	100
Carclo Technical Plastics (Brno) s.r.o	Turanka 98, 627000, Brno	Czech Republic	Ordinary	100	100
Carclo US Finance No. 2	1	UK	Ordinary	100	100
Carclo US Holdings Inc	600 Depot St. Latrobe, PA. 15650	USA	Ordinary	100	100
Chapmans Springs Limited	1	UK	Ordinary	100	100

Group	Registered office address	Principal place of business	Class of shares held	2020 %	2019 %
CTP Alan Limited	1	UK	Ordinary	100	100
CTP Carrera Inc	600 Depot St. Latrobe, PA. 15650	USA	Ordinary	100	100
CTP Finance NV	Pareraweg 45, Curacao	Curacao	Ordinary	100	100
CTP Moulded Gears Limited	1	UK	Ordinary	100	100
CTP Precision Tooling Limited	1	UK	Ordinary	100	100
CTP Taicang Co., Ltd	No. 8 Xixin Road, Chengxiang Town, Taicang City, Jiangsu Province 215411	China	Ordinary	100	100
Datacall Limited	1	UK	Ordinary	100	100
D.B.T. (Motor Factors) Limited	1	UK	Ordinary	100	100
Douglas Campbell Limited	2	UK	Ordinary	100	100
European Card Clothing Company Limited	1	UK	Ordinary	100	100
Electro-Medical Limited	1	UK A1 ordinary & ordinary		100	100
Finemoulds Limited	1	UK	Ordinary	100	100
Finespark (Singapore) PTE Limited	One Raffles Place, #10-62, Tower 2	Singapore	Ordinary	100	100
Gilby-Brunton Limited	2	UK	Ordinary	100	100
Industates Limited	1	UK	Ordinary	100	100
Jacottet Industrie SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Ordinary	100	100
John Shaw Lifting & Testing Services Limited	1	UK	Ordinary	100	100
Jonas Woodhead Limited	1	UK	Ordinary	100	100
Jonas Woodhead (Manchester) Limited	1	UK	Ordinary	100	100
Jonas Woodhead (Ossett) Limited	1	UK	Ordinary	100	100
Jonas Woodhead (Sheffield) Limited	1	UK	Ordinary	100	100
Jonas Woodhead & Sons Limited	1	UK	Ordinary	100	100
K.A.S. Precision Engineering Limited	1	UK	Ordinary	100	100
Platform Diagnostics Limited	1	UK A1 ordinary		60	60
Rumbold Investments Limited	1	UK	Ordinary	100	100
Shepley Securities Limited	1	UK	Ordinary	100	100
Sima Plastics Limited	1	UK	Ordinary	100	100
Squires Steel Stockholders Limited	1	UK	Ordinary	100	100
Sybro Limited	1	UK	Ordinary	100	100
Toledo Woodhead Springs Limited	1	UK	Ordinary	100	100
Tolwood Engineering Limited	1	UK	Ordinary	100	100
Woodhead Components Limited	1	UK	Ordinary	100	100
Woodhead Construction Services Limited	1	UK	Ordinary	100	100
Woodhead Steel Limited	1	UK	Ordinary	100	100

1. Registered office address is: PO Box 88, 27 Dewsbury Road, Ossett, West Yorkshire, WF5 9WS.

2. Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk, Industrial Estate, Musselburgh, East Lothian, EH21 7PA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

35 Post balance sheet events

On 14 August 2020 the Group concluded a restructuring with the Company's main creditors being its bank, HSBC, and the pension scheme to secure the continued support of those parties through to 31 July 2023.

The debt facilities now available to the Group comprise a term loan of £34.5 million, of which £3.0 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility maturing on 31 July 2023. The additional £3.0 million provides the Group with additional headroom to deal with uncertainty in short-term cash flows due to the current economic climate.

In addition, a new schedule of contributions has been agreed with the pension trustees covering the period to September 2037 or until such time as a new schedule of contributions and recovery plan has been agreed in respect of the Scheme.

The bank facilities are subject to four covenants to be tested on a quarterly basis:

1. underlying interest cover;
2. net debt to underlying EBITDA;
3. core subsidiary underlying EBITA; and
4. core subsidiary revenue

Core subsidiaries are defined as Carclo Technical Plastics Ltd; Bruntons Aero Products Ltd; Carclo Technical Plastics (Brno) s.r.o; CTP Carrera Inc and Jacottet Industrie SAS, with CTP Taicang Co. Ltd and Carclo Technical Plastics Pvt Co Ltd being treated as non-core for the purposes of these covenants.

In addition, the pension scheme has the benefit of a fifth covenant to be tested on 1 May each year up to and including 2023.

In FY21 the test is met by the payment of the agreed schedule of contributions. In subsequent years the test requires any shortfall of pension deficit recovery contributions when measured against PPF priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities) to be met by a combination of cash payments to the scheme plus a notional (non-cash) proportion of the increase in the underlying value of the CTP and Aero businesses based on EBITDA multiples for those businesses which are to be determined annually.

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

COMPANY BALANCE SHEET

as at 31 March 2020

		2020		2019	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	37	61		295	
Intangible assets	38	198		—	
Investments in subsidiary undertakings	39	93,795		93,795	
			94,054		94,090
Current assets					
Debtors – amounts falling due within one year	40	70,574		72,451	
Debtors – amounts falling due after more than one year	40	4,815		4,602	
Cash at bank and in hand		9,238		2,852	
		84,627		79,905	
Creditors – amounts falling due within one year					
Trade and other creditors	41	(148,930)		(146,864)	
		(148,930)		(146,864)	
Net current liabilities					
			(64,303)		(66,959)
Total assets less current liabilities					
			29,751		27,131
Creditors – amounts falling due after more than one year	42		(28)		—
Net assets excluding pension liability					
			29,723		27,131
Pension liability	44		(37,620)		(49,121)
Net liabilities					
			(7,897)		(21,990)
Capital and reserves					
Called up share capital	28		3,671		3,671
Share premium account			7,359		7,359
Profit and loss account			(18,927)		(33,020)
Shareholders' deficit					
			(7,897)		(21,990)

The Company reported a profit after tax for the year of £6,263,000 (2019: loss of £29,873,000).

These accounts were approved by the Board of Directors on 24 August 2020 and were signed on its behalf by:

Antony Collins
Director

Registered Number 196249

Matt Durkin-Jones
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	3,664	7,359	18,685	29,708
Loss for the year	—	—	(29,873)	(29,873)
Other comprehensive (expense)/income:				
Remeasurement losses on defined benefit scheme	—	—	(16,293)	(16,293)
Taxation on items above	—	—	(5,260)	(5,260)
Total comprehensive (expense)/income for the year	—	—	(51,426)	(51,426)
Transactions with owners recorded directly in equity:				
Share-based payments	—	—	36	36
Exercise of share options	7	—	(97)	(90)
Taxation on items recorded directly in equity	—	—	(218)	(218)
Balance at 31 March 2019	3,671	7,359	(33,020)	(21,990)
Balance at 1 April 2019	3,671	7,359	(33,020)	(21,990)
Profit for the year	—	—	6,263	6,263
Other comprehensive expense				
Remeasurement gains on defined benefit scheme	—	—	7,805	7,805
Taxation on items above	—	—	—	—
Total comprehensive expense for the year	—	—	14,068	14,068
Transactions with owners recorded directly in equity:				
Share-based payments	—	—	25	25
Taxation on items recorded directly in equity	—	—	—	—
Balance at 31 March 2020	3,671	7,359	(18,927)	(7,897)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2020

36 Basis of preparation for the Company

a) Accounting policies for the Company

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). There are no amendments to accounting standards, or IFRIC interpretations, that are effective for the year ended 31 March 2020 which have had a material impact on the Company.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- business combinations that took place prior to 1 April 2014 have not been restated.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of Group-settled share-based payments; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Going concern

The financial statements are prepared on the going concern basis.

Net debt as of 31 March 2020 was £32.2 million, representing a decrease from £37.5 million at 31 March 2019. The decrease was driven in the main by proceeds from the disposal of Wipac Ltd.

On 14 August 2020 we concluded a restructuring with the Company's main creditors being its bank, HSBC, and the pension scheme, to secure the continued support of those parties through to July 2023.

The debt facilities available to the Company now comprise a term loan of £34.5 million, of which £3.0 million will be amortised by 30 September 2022, and a £3.5 million revolving credit facility maturing on 31 July 2023.

Further a schedule of contributions has been agreed with the pension trustees through to September 2037.

The bank facilities are subject to four covenants to be tested on a quarterly basis:

1. underlying interest cover;
2. net debt to underlying EBITDA;
3. core subsidiary underlying EBITA; and
4. core subsidiary revenue.

Core subsidiaries are defined as Carclo Technical Plastics Ltd; Bruntons Aero Products Ltd; Carclo Technical Plastics (Brno) s.r.o; CTP Carrera Inc and Jacottet Industrie SAS, with CTP Taicang Co. Ltd and Carclo Technical Plastics Pvt Co Ltd being treated as non-core for the purposes of these covenants.

In addition, the pension scheme has the benefit of a fifth covenant to be tested on 1 May each year up to and including 2023. In the year to 31 March 2021 the test is met by the payment of the agreed schedule of contributions. In subsequent years the test requires any shortfall of pension deficit recovery contributions when measured against PPF priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities) is to be met by a combination of cash payments to the scheme plus a notional (non-cash) proportion of the increase in the underlying value of the Group's CTP and Aero businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Directors have prepared cash flow and covenant forecasts to cover the twelve-month period from the date of signing these financial statements taking into account the Company's available debt facilities and the terms of the arrangements with the bank and the pension scheme. These demonstrate that the Company has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have performed sensitivity testing based on a number of reasonably possible scenarios including taking into account the current view of reasonably possible impacts of the COVID-19 pandemic on the Group, covering reductions in customer demand; impacts to manufacturing operations arising from outbreaks impacting the local workforce; national and regional lockdown measures; and other indirect impacts to supply chains arising from the pandemic.

NOTES TO THE COMPANY FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

36 Basis of preparation for the Company continued

a) Accounting policies for the Company continued

Going concern continued

The Directors also considered the potential impact to the Group of a no deal Brexit with the possibility of increases to costs arising from changes to import and export tariffs as well as additional administrative costs to deal with changes to how our UK-based operations process transactions with the EU after 1 January 2021.

A severe downside scenario was also considered as part of the sensitivity analysis, addressing additional significant reductions in sales volumes. Such a scenario is considered remote and the Group has the capacity to take additional mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditures as necessary.

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that the Company will continue to operate within the facilities available to it and to adhere to the covenant tests to which it is subject throughout the twelve-month period from the date of signing the financial statements and as such it has adopted the going concern assumption in preparing the financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 50.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting period beginning on or after 1 April 2019. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2019:

- IFRS 16 Leases;
- Annual Improvements to IFRS Standards 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) (effective date 1 January 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019);
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date 1 January 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective date 1 January 2019); and
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective date 1 January 2019).

These standards have not had a material impact on the financial statements unless indicated.

b) Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss and liabilities for cash-settled share-based payments.

c) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

d) Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The Directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are between three and twelve years.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

f) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

g) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The liability in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains and losses. Actuarial gains and losses that arise are recognised in full with the movement recognised in the statement of total recognised gains and losses.

The Company is the principal sponsoring employer of a UK-group defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the principal sponsoring employer, which is the Company.

h) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

i) Financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement of fair values is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. At the year end no derivative financial instruments qualified for hedge accounting.

j) Share-based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Further disclosure in relation to share-based payments is given in note 28 of the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2020

36 Basis of preparation for the Company continued

k) Dividends

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the note to the financial statements.

37 Tangible fixed assets

	Plant and equipment £000
Cost	
Balance at 31 March 2019	1,393
Reclassification to intangible fixed assets	(1,021)
Additions	65
Disposals	(372)
Balance at 31 March 2020	65
Depreciation and impairment losses	
Balance at 31 March 2019	1,098
Reclassification to intangible fixed assets	(728)
Depreciation charge	6
Disposals	(372)
Balance at 31 March 2020	4
Carrying amounts	
At 31 March 2019	295
At 31 March 2020	61

38 Intangible fixed assets

	Software £000
Cost	
Balance at 31 March 2019	—
Reclassification from tangible fixed assets	1,021
Balance at 31 March 2020	1,021
Amortisation and impairment losses	
Balance at 31 March 2019	—
Reclassification from tangible fixed assets	728
Amortisation charge	95
Balance at 31 March 2020	823
Carrying amounts	
At 31 March 2019	—
At 31 March 2020	198

39 Fixed asset investments

Shares in Group
undertakings
£000

Cost	
Balance at 31 March 2019	151,872
Disposals	(1,755)
Balance at 31 March 2020	150,117
Provisions	
Balance at 31 March 2019	58,077
Disposals	(1,755)
Balance at 31 March 2020	56,322
Net book value	
At 31 March 2019	93,795
At 31 March 2020	93,795

In the prior year the Company provided £1.755 million against its investment in its UK subsidiary Wipac Limited. During the current year that investment was disposed of when Administrators were appointed to that company on 20 December 2019. Disposal proceeds of £9.2 million were received in the form of cash paid to the Company by its principal bank following interim dividends being paid from the Administrators of Wipac Ltd and a further £3.5 million in consideration was received by the Group pension scheme from the Administrators of Wipac Ltd which reduced the Company's net pension deficit accordingly. These generated a profit on disposal of £12.7 million.

No asset has been recognised for additional potential post balance sheet proceeds which may be used to further reduce the Company's revolving credit facility borrowings owed to its principal bank. Management's best estimate of the contingent asset in respect of these potential proceeds is £1.0 million.

FVLCD models were used to assess the recoverable amount of investments in the material trading subsidiaries. The key assumptions in these models were market multiples and estimated costs of disposal. A reduction in the average investee EBITDA of 15.2% applied to historical earnings would reduce the headroom on the material trading subsidiaries to £nil. The Directors were comfortable that any reasonably possible changes to key assumptions would not result in an impairment.

A list of subsidiary undertakings is given in note 34 to the Group financial statements.

During the period the Company acquired 100% of the share capital in Wipac IT Services Ltd for consideration of £1. This was disposed of after the balance sheet date on 11 May 2020 for £1.

40 Debtors

	2020 £000	2019 £000
Debtors - amounts falling due within one year:		
Amounts owed by Group undertakings	69,918	71,605
Other debtors	433	616
Prepayments and accrued income	223	230
	70,574	72,451
Debtors - amounts falling due after more than one year:		
Amounts owed by Group undertakings	4,815	4,602

Amounts owed by Group undertakings which fall due within one year are non-interest bearing and repayable on demand. Amounts owed by Group undertakings which fall due after more than one year bear interest at market interest rates.

NOTES TO THE COMPANY FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2020

41 Trade and other creditors – amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts	10,957	10,410
Trade creditors	379	3
Taxation and social security	53	72
Accruals and deferred income	731	804
Amounts owed to Group undertakings	106,354	105,682
Bank loans	30,456	29,893
	148,930	146,864

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2020, the gross amount of overdraft facilities available was £5.8 million (2019: £18.0 million) of which £0.5 million was utilised at the year end (2019: £12.3 million) net of qualifying cash balances.

Bank loans include £30.4 million (2019: £29.9 million) secured on the assets of the Group.

At 31 March 2020, the Group had medium-term multi-currency revolving loan facilities totalling £30.0 million (2019: £30.0 million). These facilities were entered into on 27 March 2015 with the Group's principal UK banker and during the period were extended to 31 January 2021. At 31 March 2020, these facilities were drawn to the extent of £30.4 million (2019: £29.9 million), which is possible due to a foreign exchange allowance included in the facility, and incur interest at the rate of between 1.10% and 3.75% above the relevant currency base rate.

The bank loan facilities are secured by guarantees from certain Group companies and by fixed and floating charges over certain of the assets of a number of the Group's companies. At 31 March 2020, the gross value of the assets secured, which includes applicable intercompany balances, amounted to £75.7 million (2019: £75.7 million). Excluding intercompany balances the value of the security was £23.7 million (2019: £74.4 million).

Amounts owed to Group undertakings which fall due within one year are non-interest bearing and repayable on demand.

42 Creditors – amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities	28	—
	28	—

43 Deferred tax assets and liabilities

No deferred tax assets or liabilities were recognised at the current or prior period balance sheet date.

Deferred tax assets have not been recognised in respect of the following items:

	2020 £000	2019 £000
Tax losses – trading	2,058	1,729
Tax losses – capital	253	227
Tax losses – non-trading	151	74
Employee benefits	7,674	8,351
Tangible fixed assets	99	108
Other	4	14
	10,239	10,503

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse in the foreseeable future. The nature of the tax regimes in certain of the regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain; this was not the case at 31 March 2020. Similarly, non-trading losses will only be utilised against future non-trading profits; no such non-trading profits are foreseen at 31 March 2020. Trading losses will only be utilised against future trading profits; no such taxable trading profits are foreseen at 31 March 2020.

The tax losses at 31 March 2020 are available to carry forward without time restriction.

Movement in deferred tax during the year:

	Balance as at 1 Apr 19 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 20 £000
Employee benefits	—	—	—	—
Tangible fixed assets	—	—	—	—
Other	—	—	—	—
	—	—	—	—

Movement in deferred tax during the prior year:

	Balance as at 1 Apr 18 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 19 £000
Employee benefits	5,066	194	(5,260)	—
Tangible fixed assets	131	(131)	—	—
Other	322	(104)	(218)	—
	5,519	(41)	(5,478)	—

44 Pension liability

The Group operates a defined benefit UK pension scheme which provides pensions based on service and final pay.

The Company is the sponsoring employer throughout the current and prior period and full disclosures in respect of the plan are given in note 24 of the Group financial statements.

45 Reserves

The Company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the Group's share option schemes. As at 31 March 2020 the plan held 3,077 shares (2019: 3,077 shares). The original cost of these shares was £0.003 million (2019: £0.003 million). The cost of the shares has been charged against the profit and loss account.

46 Contingent liabilities

The Company has entered cross guarantee arrangements relating to the bank borrowings of its UK and India subsidiary operations. The maximum obligations under these arrangements at 31 March 2020 was £nil (2019: £6.5 million).

There are contingent liabilities arising in the ordinary course of business, in respect of litigation, which the Directors believe will not have a significant effect on the financial position of the Company or Group.

47 Profit and loss account

The profit after tax for the year dealt with in the accounts of the Company amounts to £6.263 million (2019: loss of £29.873 million) which, after dividends of £nil (2019: £nil), gives a retained profit for the year of £6.263 million (2019: retained loss of £29.873 million).

48 Related parties

The Company has a related party relationship with its subsidiaries (see note 34), 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 related parties are set out in note 33 of the Group financial statements.

In addition to this:

- interest payable to Group companies during the period was £0.346 million and interest receivable from Group companies during the period was £0.296 million;
- royalties were received from Group companies during the period totalling £0.898 million; and
- management fee income was received from Group companies during the period totalling £1.298 million.

In the prior period the company provided £13.468 million against expected losses for an amount owed by its investee Wipac Limited, a then wholly owned English subsidiary. During the current period the Company received £5.0 million from its bank in respect of distributions made by the Administrators of Wipac Ltd following the Company's disposal of Wipac Ltd as a subsidiary on 20 December 2020. Further the Group pension scheme received £3.5 million from the Administrators of Wipac Ltd following the Company's disposal of Wipac Ltd as a subsidiary on 20 December 2020.

Remuneration of the Directors, who are considered to be the key management personnel of the Company, is disclosed in the audited part of the Directors' remuneration report on pages 51 to 56.

NOTES TO THE COMPANY

FINANCIAL STATEMENTS **continued**

for the year ended 31 March 2020

49 Accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. These should be read in conjunction with the significant accounting policies provided in the notes to the financial statements.

Going concern

Note 36 contains information about the preparation of these financial statements on a going concern basis.

Key judgement

Management has exercised judgement over the likelihood of the Company to be able to continue to operate within its available facilities and in accordance with its covenants for the twelve months from the date of signing these financial statements.

This determines whether the Company should operate the going concern basis of preparation for these financial statements.

Wipac Ltd disposal proceeds

Note 39 contains information about management's estimate of the outstanding consideration arising from the disposal of Wipac Ltd which is currently in administration.

Key judgement

Management has exercised judgement over the likelihood of a further payment being received after the balance sheet date from the Administrators of Wipac Ltd by the Company's leading bank which would reduce the outstanding drawn balance on the Company's bank debt accordingly. This will depend on the outcome of the administration process. Management consider the receipt probable but insufficiently certain to recognise an asset and so the estimated proceeds have not been included in the disposal proceeds.

Key sources of estimation uncertainty

The Company has estimated the value of a further payment to be £1.0 million and has disclosed this amount as a contingent asset – see note 39.

Pension assumptions

Note 24 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors.

Key sources of estimation uncertainty

The value of defined benefit pension plan liabilities is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. The Group exercises its judgement in determining the assumptions to be adopted, after discussion with a qualified actuary. Details of the key actuarial assumptions used and the sensitivity of these assumptions are included in note 24.

Valuation of investments in subsidiary undertakings

Note 39 contains information about management's estimates of the recoverable amount of investments in subsidiary undertakings and their risk factors.

Key judgement

Management has exercised judgement over the underlying assumptions within the valuation models. These are key factors in their assessment of whether there is any impairment in these investments.

As set out in more detail in note 39, the recoverable amounts are based on value-in-use and fair value less costs of disposal calculations. The use of the value-in-use method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the future cash flows. The use of the fair value less costs to sell method requires the estimation of the fair value of the investment in the subsidiary undertaking and of associated costs of disposal.

Recognition of deferred tax assets.

Note 43 contains information about the deferred tax assets recognised in the statement of financial position.

Key judgements

Management has exercised judgement over the level of future taxable profits against which to relieve the Company's deferred tax assets. On the basis of this judgement no deferred tax assets have been recognised at the period end.

FIVE YEAR SUMMARY

	2020 £000	2019 ¹ £000	2018 ¹ £000	2017 ^{1,2} £000	2016 ¹ £000
Group total:					
Revenue	146,288	144,851	146,214	138,282	118,974
Underlying operating profit	4,365	1,315	10,811	12,498	10,034
Exceptional items	(8,779)	(13,908)	(904)	(541)	(4,857)
Operating profit	(4,414)	(12,593)	9,907	11,957	5,177
Net financing charge	(2,585)	(2,061)	(1,740)	(1,479)	(1,282)
Profit/(loss) before tax	(6,999)	(14,654)	8,167	10,478	3,895
Income tax expense	(1,451)	(3,978)	325	(2,496)	(1,708)
(Loss)/profit after tax but before loss on discontinued operations	(8,450)	(18,632)	8,492	7,982	2,187
Underlying operating profit	4,365	1,315	10,811	12,498	10,034
Add back: Amortisation of intangible assets	172	279	281	149	168
Underlying earnings before interest, tax and amortisation (EBITA)	4,537	1,594	11,092	12,647	10,202
Add back: Depreciation of property, plant and equipment	6,765	5,260	4,732	4,535	3,806
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	11,302	6,854	15,824	17,182	14,008
Continuing operations:					
Revenue	110,506	105,338	104,681	103,236	86,492
Underlying operating profit	7,313	6,390	6,158	8,152	6,318
Exceptional items	(5,470)	(4,507)	(904)	(541)	(4,857)
Operating profit	1,843	1,883	5,254	7,611	1,461
Net financing charge	(2,388)	(1,891)	(1,749)	(1,580)	(1,279)
Profit/(loss) before tax	(545)	(8)	3,505	6,031	182
Underlying operating profit from continuing operations	7,313	6,390	6,158	8,152	6,318
Add back: Amortisation of intangible assets from continuing operations	172	176	170	108	64
Underlying earnings before interest, tax and amortisation (EBITA) from continuing operations	7,485	6,566	6,328	8,260	6,382
Add back: Depreciation of property, plant and equipment from continuing operations	5,951	4,344	3,937	3,871	3,316
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations	13,436	10,910	10,265	12,131	9,698
Underlying operating profit margin	3.0%	0.9%	7.4%	9.0%	8.4%
Underlying operating profit margin from continuing operations	6.6%	6.1%	5.9%	7.9%	7.3%
(Loss)/earnings per share ³	(15.5)p	(25.4)p	11.6p	11.5p	3.3p
Net debt	(27,357)	(38,481)	(31,476)	(26,025)	(24,750)
Capital employed (equity + net debt)	36,088	50,748	83,495	70,288	57,617
Average capital employed (equity + net debt)	43,418	67,122	63,730	62,984	59,715
Return on capital employed (including discontinued operations)	10.1%	2.0%	17.0%	19.8%	17.0%

1. The comparative information for 2016-2019 has been re-presented due to a discontinued operation, namely the LED Technologies segment comprising two Wipac businesses which was disposed of during the period, as detailed in note 4.
2. The comparative information for 2017 was revised to incorporate the adjustments arising from the initial accounting for the acquisition of PTD on 13 October 2016.
3. (Loss)/earnings per share is calculated based on loss after tax, attributable to equity holders of the parent company including discontinued operations and is after charging exceptional items.

INFORMATION FOR SHAREHOLDERS

(a) Reconciliation of non-GAAP financial measures

	Notes	2020 £000	2019 restated ¹ £000
Loss for the period		(11,409)	(18,632)
Add back: Loss on discontinued operations, net of tax	4	9,509	15,693
Statutory loss after tax from continuing operations		(1,900)	(2,939)
Add back: Income tax expense from continuing operations	12	1,355	2,931
Loss before tax from continuing operations		(545)	(8)
Add back: Net financing charge from continuing operations	11	2,388	1,891
Operating profit from continuing operations		1,843	1,883
Add back: Exceptional items from continuing operations	10	5,470	4,507
Underlying operating profit from continuing operations		7,313	6,390
Add back: Amortisation of intangible assets from continuing operations	15	172	176
Underlying earnings before interest, tax and amortisation (EBITA) from continuing operations		7,485	6,566
Add back: Depreciation of property, plant and equipment from continuing operations	16	5,951	4,344
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations		13,436	10,910
Loss before tax from continuing operations		(545)	(8)
Add back: Exceptional items from continuing operations	10	5,470	4,507
Underlying profit before tax from continuing operations		4,925	4,499
Income tax expense from continuing operations	12	1,355	2,931
Add back: Exceptional tax credit/(expense) from continuing operations	12	13	(1,876)
Group underlying tax expense from continuing operations		1,368	1,055
Group statutory effective tax rate from continuing operations		(248.6%)	(36,637.5%)
Group underlying effective tax rate from continuing operations		27.8%	23.4%
Cash at bank and in hand	21	19,309	10,330
Interest bearing loans and borrowings – current	22	(42,804)	(47,763)
Interest bearing loans and borrowings – non-current	22	(3,862)	(1,048)
Net debt		(27,357)	(38,481)

1. The 2019 comparative information has been re-presented due to a discontinued operation, namely the LED Technologies segment comprising two Wipac businesses which was disposed of during the period, as detailed in note 4.

(b) Share price history

Share price per 5 pence ordinary share at close of business 31 March 1982: 11.6 pence.

Calendar year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Low	47.50p	48.50p	133.50p	239.00p	287.50p	257.00p	82.25p	87.00p	106.75p	120.00p	77.25p	10.30p	3.75p
High	96.00p	150.50p	241.50p	349.00p	503.00p	501.00p	292.50p	169.75p	169.00p	180.00p	127.50p	81.50p	18.80p

(c) Share price information

Share price information can be found on the internet at www.carclo.co.uk

(d) Further information on Carclo plc

Further information on Carclo plc can be found on the internet at www.carclo.co.uk

SHAREHOLDER ENQUIRIES

For all enquiries please contact Equiniti, our Share Registrars, who are available to answer any queries you have in relation to your shareholding.

Online:

A range of help is available online at help.shareview.co.uk – from here you will be able to securely email Equiniti.

By phone:

From the UK, call 0371 384 2249.

From overseas, call +44 (0)121 415 7047. Lines are open between 9am to 5pm, Monday to Friday (excluding public holidays in England and Wales).

By post:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Equiniti also provide an online service for shareholders. To manage your shareholding online please see Equiniti's Shareview service at www.shareview.co.uk.

If you are not already registered, to view your shareholding you will need to set up a portfolio by registering at www.shareview.co.uk. You will need your shareholder reference number. Setting up a portfolio will allow you to securely access your holdings online at your own convenience whenever and wherever you want to. You will have access to a full range of online services. These can include:

- view holdings and indicative price and valuation;
- view movements on your holdings;
- view dividend payment history;
- register and change bank mandate instructions;
- change your address details;
- sign up for electronic communications;
- buy and sell shares online; and
- download and print shareholder forms.

GLOSSARY

Compound annual growth rate ("CAGR")

The geometric progression ratio that provides a constant rate of return over a time period

Constant currency

Retranslated at the prior 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 lease liabilities. Used to report the overall financial debt of the Group in a manner that is easy to understand

Operational gearing

Ratio of fixed overheads to sales

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

FINANCIAL CALENDAR

Annual General Meeting	29 September 2020
Interim results for half year ending 30 September 2020	November 2020
Preliminary results for year ending 31 March 2021	June 2021
Annual report for year ending 31 March 2021	mailed July 2021
Annual General Meeting	September 2021

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