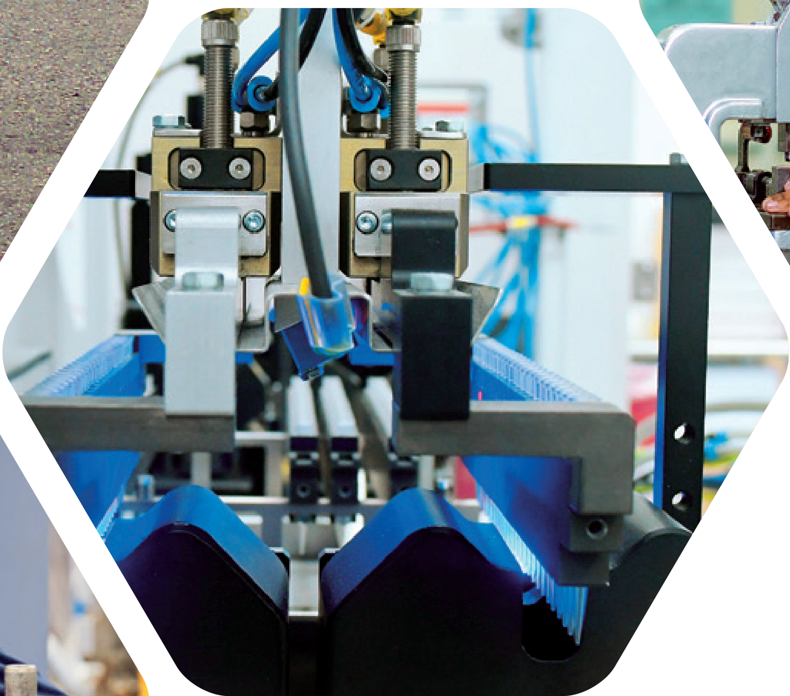

carclo

GROWING TO PLAN

Carclo plc

Annual report and accounts 2022

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OUR PURPOSE

To be a trusted and collaborative provider of value-adding engineered solutions for the medical, optical and aerospace industries, creating value for all our stakeholders.

Read more about our **purpose** and **values** on page 2

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 155. A reconciliation to statutory numbers is included on page 153. 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.

www.carclo.co.uk

OUR HIGHLIGHTS

Revenue from continuing operations (£m)	Underlying operating profit[1] (£m)	Operating profit before exceptional items[2] (£m)
£128.6m	£6.1m	£8.2m
2021: £107.6m	2021: £4.8m	2021: £4.8m

Underlying earnings per share - basic - from continuing operations (p)	Underlying EBITDA[3] (£m)	Statutory operating profit (£m)
3.1p	£13.1m	£8.9m
2021: 2.4p	2021: £10.8m	2021: £9.3m

Cash generated from operations (£m)	Net debt excluding lease liabilities (£m)	Net debt (£m)
£6.8m	£21.5m	£32.4m
2021: £11.2m	2021: £20.5m	2021: £27.6m

- Resilient revenue performance despite the continued challenging operating environment following COVID-19
  - Revenue from continuing operations increased by 19.5% to £128.6 million (2021: £107.6 million)
  - Underlying operating profit from continuing operations increased by 27.1% to £6.1 million (2021: £4.8 million)
- Cash generated from operations was £6.8 million (2021: £11.2 million)
- Statutory operating profit from continuing operations £8.9 million (2021: £9.3 million) included £2.1 million one-off credit arising from the forgiveness of US government COVID support loans
- Net exceptional gain in the year of £0.7 million (2021: £4.5 million), reflects a £0.9 million (2021: £6.5 million) pension credit, primarily from the introduction of flexible early retirement benefits, offset by £0.1 million (2021: £2.0 million) restructuring costs
- First full trading year for refreshed Board and management
- Further capital investment growth for longer-term returns in the Technical Plastics business

1. Underlying operating profit is defined as operating profit before discontinued operations, separately disclosed items and exceptional items. A reconciliation to statutory figures is given on page 153.
2. Operating profit before exceptional items is underlying operating profit before discontinued operations and exceptional items. A reconciliation to statutory figures is given on page 153.
3. Underlying earnings before interest, taxation, depreciation and amortisation ("uEBITDA") is defined as EBITDA before discontinued operations, separately disclosed items and exceptional items. A reconciliation to statutory figures is given on page 153.

AT A GLANCE

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

OUR PURPOSE AND VALUES:

Our purpose is to be a **trusted and collaborative provider** of value-adding engineered solutions for the **medical, optical** and **aerospace** industries, creating value for all our stakeholders.

OUR VALUES

EXCELLENCE
We continually strive to improve every aspect of our business.

ETHICS
We operate with integrity and in a transparent and principled manner.

CUSTOMER
We put the customer at the heart of what we do.

PEOPLE
We do what we say and we work together with mutual respect and trust.

SAFETY
We operate safely, protecting people and the environment.

WHAT WE DO
OUR DIVISIONS:

Technical Plastics

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

www.carclo-ctp.co.uk

Aerospace

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

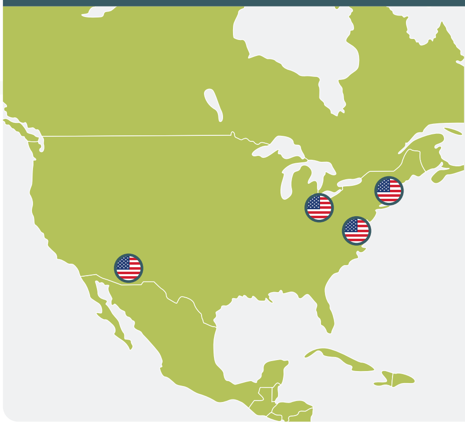
www.bruntons.co.uk

www.jacottet-industrie.com

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

WHERE WE OPERATE:

USA



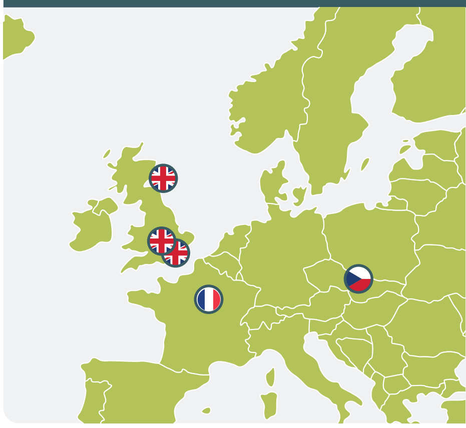
CTP Carrera Inc.
Latrobe, Pennsylvania, USA
Technical Plastics

CTP Carrera Inc.
Tucson, Arizona, USA
Technical Plastics

CTP Carrera Inc.
Export, Pennsylvania, USA
Technical Plastics

CTP Carrera Inc.
Derry, New Hampshire, USA
Technical Plastics

Europe



Bruntons Aero Products Ltd
Musselburgh, Scotland, UK
Aerospace

Carclo Technical Plastics Ltd
Aylesbury, UK
Technical Plastics

Carclo Technical Plastics Ltd
Mitcham, UK
Technical Plastics

Jacottet Industrie SAS
Chartres, France
Aerospace

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

Asia

Carclo Technical Plastics Pvt Ltd
Bangalore, India
Technical Plastics

CTP Taicang Co Ltd
Taicang, P.R. China
Technical Plastics

EXECUTIVE CHAIR'S STATEMENT

> Despite the challenging macroeconomic backdrop, the Group has delivered a strong performance for the year.

Nick Sanders
Executive Chair

I am pleased to report that the Group has delivered a strong performance for the year, with revenue growth ahead of previous expectations and a significant increase in underlying profit despite the challenging macroeconomic backdrop. The Group balance sheet also strengthened considerably throughout the course of the year, with the IAS 19 pension deficit being substantially reduced.

Customer demand in our CTP division remained strong throughout the year and we delivered significant growth in both product and tooling revenues. Whilst demand in the Aerospace division was subdued in the first half of the year, order intake increased significantly in the second half, largely as a result of increases in commercial air travel.

The impact of the pandemic continued to be felt throughout the year, albeit this has manifested itself in different ways. Compared to the prior year, plant closures were less of an issue but occurred in some countries for short periods of time. Staff absenteeism declined in most countries but was still subject to sporadic increases that caused some short-term disruption. However, the secondary impacts of labour shortages, extended logistics lead times and significant cost inflation became more prevalent as the year progressed.

In the latter part of the year, the war in Ukraine has resulted in added uncertainty. Although the Group does not have direct customer or supplier contracts with either Ukraine or Russia, the impact of increases in oil and power prices further added to the inflationary environment.

These inflationary pressures reduced margins in the second half of the year in CTP. The majority of CTP customer contracts permit material cost increases to be passed through which contributed to some of the revenue growth. Wherever possible, additional price increases are being passed on to our customers to offset the impact of energy, labour and overhead cost increases, albeit there is inherently a time lag associated with this. Pricing negotiations with customers have been largely concluded for now and the benefit of the agreed increases are expected to accrue progressively in the first half of FY23. In addition, the cost base has continued to be tightly managed.

Despite these challenges, the Group delivered a significant year-on-year growth in underlying operating profit and a robust operating profit performance.

In line with our divisional growth strategies, we continued to invest significantly in new capital equipment, mainly focused on increasing future business in the medical and diagnostic sectors with our existing global customer base. Our focus on business development also resulted in both divisions acquiring a number of new customers during the year.

As a result of uncertainties in global supply chains we have increased raw material stocks to ensure that we can continue to deliver to our customers and this, along with the later than planned introduction of a new customer product, resulted in increased inventory holding throughout the year. We expect to reduce these inventory levels to more normalised levels during the course of the next financial year. Given the growth opportunities that the market presents and the ongoing operational headwinds, the Board has asked Frank Doorenbosch to temporarily relinquish his Non-Executive position to work alongside the CTP management team.

The safety and wellbeing of the Carclo team worldwide has continued to be foremost in the minds of the Board and in addition to the measures introduced at the start of the pandemic, a range of further actions have been taken to support employees through these challenging times. As well as keeping our people and communities safe throughout the pandemic, we have introduced a range of additional measures to enhance the health and wellbeing of our workforce. The Board is grateful for the positivity, resilience and dedication shown by employees again this year.

The management team has continued to work proactively with the pension trustees to introduce a range of scheme initiatives aimed at both benefiting the scheme members and reducing the pension deficit. These measures, along with the payment of the contributions agreed as part of the August 2020 refinancing agreement referred to in previous reports, are intended to reduce the overall pension deficit in the coming years. A market increase in discount rates used to measure pension liabilities also contributed to a substantial reduction in the IAS 19 pension deficit.

Financial performance

Despite the significant global economic challenges, I am pleased to report financial improvement across our key performance measures.

Total revenue of £128.6 million increased by 19.5% (£21.0 million) with a large £10.9 million increase in tooling revenue to £25.1 million and a £10.1 million increase in product revenue. This drove a 21.3% improvement in underlying EBITDA to £13.1 million (2021: £10.8 million). Underlying EPS increased by 29.2% to 3.1 pence (2021: 2.4 pence).

Complementing our operational performance improvement, we have made further exceptional gains in the year of £1.4 million (2021: £5.7 million), driven equally by pension benefit gains and final proceeds of discontinued business, producing a statutory EPS result of 7.9 pence (2021: 10.1 pence).

The balance sheet has more than tripled in net asset value to £24.4 million (2021: £7.9 million) from retained profits and pension gains.

The pension deficit reduced 30.3% in the year to £26.0 million (2021: £37.3 million) from a combination of additional pension contributions and improved financial assumption projections and reduced mortality rates.

The Group has taken the opportunity to continue to invest significantly in capital expenditure to grow the business at £9.7 million (2021: £10.4 million).

Net debt excluding leases increased to £21.5 million (2021: £20.5 million). Net debt including lease liabilities was £32.4 million (2021: £27.6 million), reflecting continued strong capital investment while holding higher inventories to protect our operations from post-COVID supply chain uncertainties. After these investments, cash generated from operations was £6.8 million (2021: £11.2 million).

With underlying profit after tax increased by 33.3% to £2.3 million (2021: £1.7 million), the underlying EPS was 3.1 pence (2021: 2.4 pence), on underlying operating profit up 26.0% to £6.1 million (2021: £4.8 million).

The Group, the bank and the pension scheme trustees are actively engaged in negotiations over the refinancing of the bank debt beyond the current expiry date of 31 July 2023 and over the updated schedule of contributions. The parties are committed to a plan to finalise these by 31 July 2022 and the Directors have an expectation that this will be achieved.

I am pleased to report meanwhile that the Group has delivered profit growth to expectations and is now streamlined and focused on growing its CTP and Aerospace divisions.

EXECUTIVE CHAIR'S STATEMENT continued

Our people

Once again, the Carclo team worldwide has shown great resilience, positivity and dedication in challenging times and I and my Board colleagues would like to convey our sincere thanks for their support throughout the year.

A number of initiatives were introduced this year to enhance the personal development planning process. I am also pleased to report that we resumed the recruitment of apprentices this year and intend to continue this in the coming years.

In recognition of the revenue growth that the business is currently achieving and targeting, the aim is to continue the strengthening of the divisional management teams focused on business development and operations.

The organisational structure of each division is also being developed to focus on global rather than country-specific growth opportunities.

Throughout the year, the Group continued to promote the health and wellbeing of its employees. The Group formally launched its Group Health and Wellbeing Programme "Carclo cares" on 1 June 2021, with the introduction of an EAP helpline for all its employees globally from that date.

Board and governance

Peter Slabbert and David Toohey indicated their intention not to seek re-election as Non-Executive Directors after both serving the Group over the last six years, and they retired from the Board on 31 March 2021 and 30 April 2021 respectively. I would like to thank both Peter and David for their contribution to the business.

We were pleased to recruit Eric Hutchinson and Frank Doorenbosch to the Board, bringing a wealth of business and specific industry experience that is invaluable as we execute our strategies going forward. Eric was appointed in January 2021 and became Chair of the Audit Committee in March 2021, taking over from Peter Slabbert. Frank was appointed in February 2021, and took over as Chair of the Remuneration Committee in April 2021 following David's departure. Both Eric and Frank bring significant industrial experience to the Board.

Joe Oatley continued as the Senior Independent Director throughout the year. Joe has been instrumental in reviewing Board effectiveness.

In March 2021, Phil White joined the Board as the permanent CFO after a short period as interim CFO. Phil also brings a wealth of knowledge and experience to the business and he is working alongside me on driving improvements across the Group.

With effect from 6 June 2022, Frank Doorenbosch was appointed as a consultant to the Group for a period of up to twelve months, and accordingly became an Executive Director for that period. Frank will focus on assisting the Carclo Technical Plastics division to improve its operational effectiveness in the face of rapidly increasing demand coupled with current supply chain challenges.

It is intended that Frank will revert back to being a Non-Executive Director of the Company and resume his position on the Board Committees and as Chair of the Remuneration Committee as soon as the consultancy period has ended. Joe Oatley has been re-appointed Chair of the Remuneration Committee in the interim period.

As COVID-19 restrictions have eased, the Board has been able to make an increased number of site visits and so has been able to engage directly with employees in more parts of the business.

The Board has continued to be diligent on all governance issues and is regularly updated on new and updated requirements. In particular, 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.

Health, safety and environment

The Board and management team have continued to focus on ensuring that Carclo is a safe place to work. Regular reviews at site, divisional and Group level are conducted to record any incidents that have occurred, to ensure that root cause analysis is completed and that appropriate corrective actions have been put in place.

I am pleased to report that as a result of our actions the accident rate (number of accidents/hours worked) was reduced from 4.5/100,000 hours in 2020/21 to 3.7/100,000 in 2021/22.

In addition to the disciplines already in place, management incentives for the new financial year will now include an element related to improving health and safety performance in line with agreed targets.

The Board is committed to tackling climate change and a range of environmental measures have been introduced, such as:

- the Head Office function has been moved to a significantly smaller, more energy-efficient building;
- thermal insulation has been introduced to moulding machines in CTP China and this is being rolled out across the CTP division;
- LED lighting is being progressively introduced across manufacturing sites; and
- we have reduced compressed air usage within our operations.

We are also currently evaluating a system to monitor the energy usage of each machine in the CTP division in real time to facilitate a reduction in energy consumption.

Dividend

In accordance with the provisions of the refinancing agreement signed in August 2020, the business is not currently permitted to pay dividends. The Board is therefore not recommending the payment of a dividend for 2021/22 (2020/21: £nil).

Pensions

The management team has worked closely with the pension trustees to develop a number of initiatives that enhance the members' benefits and are also aimed at reducing the scheme's liabilities going forward. Following on from introducing Bridging Pension Options ("BPO") last year, offering more member choice on early retirement pension commutation and reducing the IAS 19 liability by £6.7 million, we have introduced Pension Increase Exchange ("PIE") options to members, allowing increased pensions earlier in exchange for pension inflation indexing, which has reduced the IAS 19 liability projections by £0.9 million.

Following the 2018 valuation, the Group agreed that it would aim to eliminate the deficit over a period of 19 years and nine months from 1 February 2021 to 31 October 2040. The annual contributions would increase to £3.9 million for the year to 31 March 2022, £3.8 million for the year to March 2023, and £3.5 million annually thereafter.

Coupled with other improvements in pension scheme assumptions, most notably the increased market discount rate used for valuing retirement obligations, the IAS 19 pension deficit has reduced by £11.3 million in the year to £26.0 million (£37.3 million).

Further initiatives include a change of investment management completed by the pension trustees in the year, providing a fresh insight and full reset of the pension scheme asset management strategy.

EXECUTIVE CHAIR'S STATEMENT continued

Divisional review

Carclo Technical Plastics ("CTP")

The CTP division performed strongly in the first half of the year, with demand continuing to grow for medical and diagnostic products. However, second half trading was more challenging due initially to difficulties recruiting labour in the US and then cost escalations across raw materials, energy, packaging, freight and other overheads. Whilst the impact of raw material cost increases can largely be passed on to customers (albeit with some time lag), the overall impact of these increases reduced margins in the second half, particularly in the US and UK operations. Price increases have also been negotiated with customers to offset the impact of the non-material cost increases.

The new large customer contract reported in previous trading updates has now entered production in the UK, albeit after a longer period of prove out; the US production line is still in the prove out stage but is expected to commence production in the first half of the 2022/23 financial year.

Material shortages and the later than planned introduction of the new production lines resulted in increased inventory holdings of raw materials which are expected to reduce during the 2022/23 financial year.

Despite these challenges the division has been awarded significant new tooling contracts by an existing large customer and it is anticipated that, as a result, new production lines will be installed in CTP businesses around the globe in line with our long-term strategy. This will, in turn, lead to continuing long-term revenue growth. As a result, it is anticipated that capital investment in the division will remain significant in the 2022/23 financial year.

In addition to this large tooling order, the division continued to deliver on its longer-term growth strategy, initiating the installation of 17 additional new product lines across four of our global sites which will commence production in the next two years. We have also seen five new accounts of significance added in target sectors including pharmaceutical accounts in the Czech Republic and US, a medical account in India, and China accounts added in the diabetes and diagnostics sectors.

The division also benefited from a US government loan related to COVID-19 disruption being forgiven in the year; the resulting profit has been disclosed separately in the income statement.

Demand for the division's products remains strong, particularly in the medical and diagnostic sectors, and the new tooling orders won are expected to lead to further revenue growth in the new year. The pricing actions already implemented are expected to feed into improved margins progressively through the year.

Aerospace

The Aerospace division performed well in the aftermath of the pandemic.

Air travel started to recover, particularly in the second half of the year with the utilisation of short haul, narrow body aircraft increasing as travel restrictions eased. Long haul travel, which predominantly utilises wide body aircraft, also increased but at a slower rate. This resulted in aircraft manufacturers starting to increase their build rates although it will be some time before they recover to pre-pandemic levels.

As a result of this increase in market activity and an increased focus on business development within the division, order intake grew steadily through the year and was particularly strong in the final quarter.

Sales were lower than the prior year as a result of the low order intake in the first half of the year but increased in the second half and in the final quarter particularly. Despite input cost inflation, margins have been well managed and increased year on year. Cost management has been maintained and as a result the division delivered increased profit and cash in the year. Recruitment has now resumed as activity levels increase and we expect to start recruiting apprentices again this year.

The division starts the new financial year with a healthy order book and expects to see good revenue and profit growth in the 2022/23 financial year.

Strategy

The primary objectives of the Group's strategy are to grow revenues, profits and cash generation in each of its operating divisions whilst working with the pension trustees to reduce the pension deficit over time.

Each division is increasingly becoming "standalone" and will progressively have the resources to operate independently of central functions.

In the short-term, the focus remains to grow organically in each of our existing markets, but in the medium to long-term this may be supplemented by accretive and synergistic acquisitions.

It is anticipated that capital investment will remain high in the short and medium-term to enable our ambitious growth plans to be achieved.

The central team will continue to focus on Group strategy, capital allocation, IT and governance as well as continuing to work with the pension trustees to reduce the deficit.

Outlook

I am pleased with the progress that Carclo has made again this year. Despite significant headwinds the business has delivered significant revenue and profit growth and at the same time continued to invest in growing capacity to meet the demands of growing markets.

Although the direct impacts of the pandemic have reduced progressively during the year the secondary impacts of cost inflation, labour shortages and logistics delays impacted the second half of the year. We have countered these effects by improving operational efficiency, passing on cost increases wherever possible and holding more inventory.

Both divisions have continued to execute on the strategic plans developed in 2021 through targeting organic growth opportunities in their chosen markets and strengthening management teams. This has resulted in a number of new business wins which will contribute to our future revenue and profit growth.

The management team has continued to work closely with the pension trustees towards the objective of reducing the historic pension deficit and I am pleased to report that the IAS 19 deficit has reduced materially over the last year.

The Board expects market demand for both the CTP and Aerospace divisions to continue to grow in the next financial year but also that the headwinds that prevailed in the second half will continue during the first half.

N. I Sanders

Nick Sanders
Executive Chair
29 June 2022

OUR MARKETS

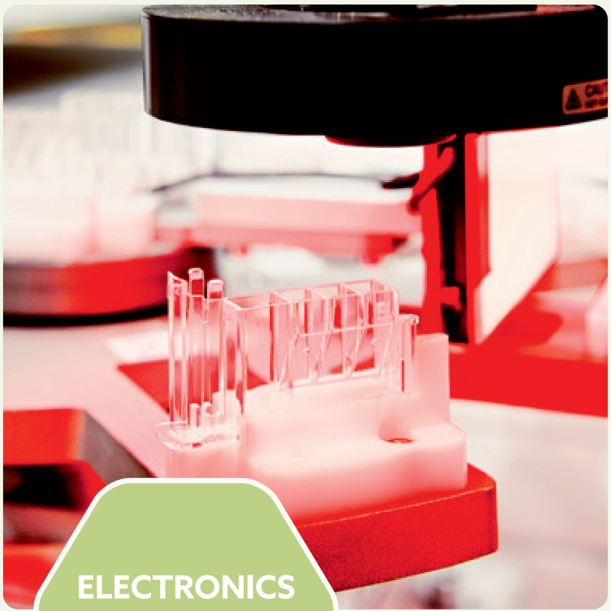
Technical Plastics

MEDICAL

Carclo's continued growth in diagnostics pharmaceutical, 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 diabetes management with leading OEMs.

Customers

In the medical sector, Carclo's customers are predominantly blue-chip global OEMs, typically in the top three of their respective segments. In diagnostics we are proud to supply four of the top five clinical diagnostics providers. In non-medical segments our customers are niche providers of critical safety applications or technology leaders.



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.

Carclo is a specialist in the design, development and manufacture of injection moulded and extruded optical components and assembled devices across a wide range of applications. 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.

Aerospace

Our success in the stringent aerospace and defence markets has been built over a century of experience, where the most exacting production quality standards attainable are imposed. Delivery on time and "right first time" for our customers is a must.

Control cables
Europe's leading supplier of control cables for the aviation industry. Both Bruntons and Jacottet manufacture aircraft mechanical control cables to international standards or customer bespoke designs as required.

Specialised machined components
As a detailed parts manufacturer to many leading aerospace and defence businesses, Bruntons supply a range of specialised machined components for both production and aftermarket requirements. Bruntons also support the vintage aircraft market with the supply of streamline wires.

Quality
To satisfy the quality standards required, both our sites hold Aerospace AS9100 approval, a must for manufacturers wanting to work in this sector. Alongside this, we also hold a number of OEM "supplier approvals" and "special process approvals" to support our customers' needs.

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. We are creating an environment that enables our employees to realise their full potential whilst feeling safe and supported.

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.

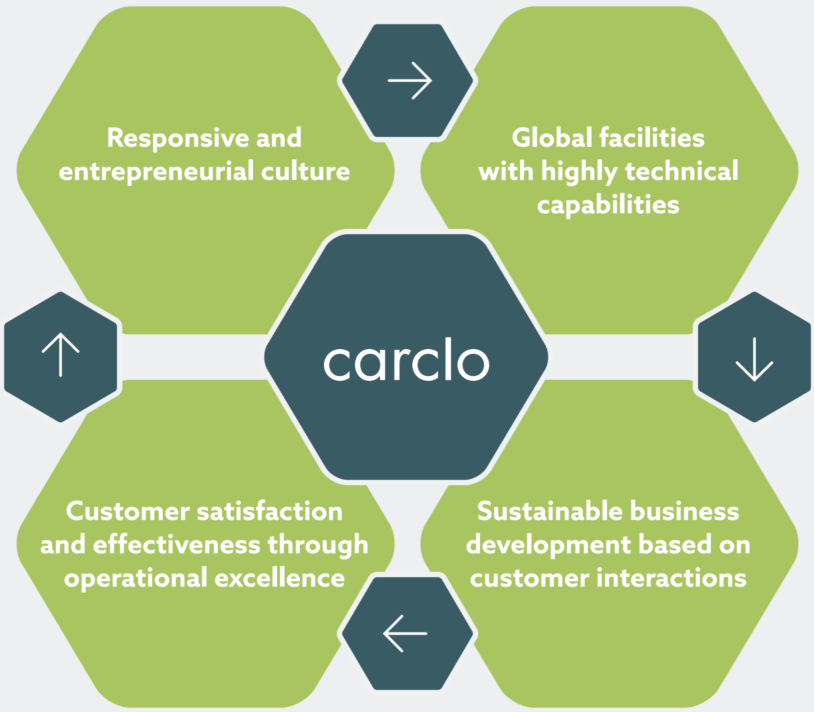
RELATIONSHIPS
We build and maintain close long-term relationships with customers, suppliers and other stakeholders; centred on trust and collaboration.

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



Underpinned by our values and culture

We achieve this through our technical capability and 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 and 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. We will continue to rebuild the strength of our 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 funds that provide 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 46 to 49.

Stakeholders	Material issues	How we engage	Outcomes
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.	• 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.	• 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 Executive Chair 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.	• The Non-Executive Directors have started to recommence workforce meetings following the easing of travel restrictions. • Divisional leadership continued to hold regular "town hall" meetings of a virtual nature.
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.	• 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.	• The Executive Chair maintains regular contact with our key shareholders and reports 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.	• The Executive Chair continued to liaise with key shareholders throughout the financial period. • Regular updates are now provided to retail investors via the Investor Meet Company platform.

Stakeholders	Material issues	How we engage	Outcomes
CUSTOMERS			
Our products enable our customers to deliver their solutions in highly regulated, safety-critical environments.	• 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.	• 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.	• Management continued to liaise with customers throughout the period to discuss performance and future solutions. • Operational KPIs at both business unit and Board level have been continually developed throughout the period.
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 and corruption. • New suppliers are audited before approval.	• Regular audits continued to be carried out at key suppliers.
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 Executive Chair 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.	• Quarterly update meetings are held with the lending bank, as well as regular updates and supplying of information in between meetings.
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 Executive Chair 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.	• Quarterly update meetings are held with the pension scheme trustees, as well as regular updates and supplying of information in between meetings.
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.	• Some activity has been curtailed in the period due to the pandemic, however more information can be seen in our Responsible Operations report on pages 21 and 22.

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)

2022	**128.6**
2021	107.6
2020	110.5
2019	105.3
2018	104.7

£128.6m

▲ 19.5%

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)

2022	**6.1**
2021	4.8
2020	7.3
2019	6.4
2018	6.2

£6.1m

▲ 26.9%

Definition and method of calculation

Operating profit from continuing operations before discontinued operations, separately disclosed items and exceptional items (comparative years have been restated to remove discontinued operations and so to present continuing operations on a like-for-like basis). Please refer to the reconciliation of non-GAAP financial measures within the information for shareholders on page 153.

Explanation of importance

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

Net debt excluding lease liabilities (£m)

2022	**21.5**
2021	20.5
2020	22.1
2019	37.0
2018	31.5

£21.5m

▲ 4.9%

Definition and method of calculation

Net debt excluding lease liabilities is defined as loans and borrowings, excluding lease liabilities, less cash and cash deposits as at the balance sheet date. Please refer to the reconciliation of non-GAAP financial measures within the information for shareholders on page 153.

Explanation of importance

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

Non-financial KPI

Net debt (£m)

2022	**32.4**
2021	27.6
2020	27.4
2019	38.5
2018	31.5

£32.4m

▲ 17.4%

Definition and method of calculation

Net debt is defined as loans and borrowings, including lease liabilities, cash and cash deposits as at the balance sheet date. Please refer to the reconciliation of non-GAAP financial measures within the information for shareholders on page 153.

Lease liabilities as at the balance sheet date were £10.9 million.

On 1 April 2019 the Group initially applied IFRS 16 Leases. The comparatives for 2017/18 and 2018/19 are presented under the previous accounting standard IAS 17.

Explanation of importance

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

Return on capital employed (excluding pension liabilities)[1] (%)

2022	**7.8**
2021	6.6
2020	5.0
2019	1.2
2018	10.1

7.8%

▲ 1.2%

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 pension liabilities, and closing equity plus net debt and pension liabilities.

Explanation of importance

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

Lost Time Injury Frequency Rate

2022	**2.5**
2021	2.7
2020	4.7
2019	6.9
2018	8.3

2.5

▼ 0.2%

Definition and method of calculation

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

The 2018, 2019 and 2020 rates include the discontinued Wipac business.

Explanation of importance

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

1. Prior period comparatives have been restated to exclude pension liabilities.

RESPONSIBLE OPERATIONS

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

Corporate social responsibility is a key element of operations and decision-making. The Group 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.

We also recognise that the expectations of all our stakeholders are constantly increasing and we aim to, meet and, in time, exceed these expectations.

During the year there have been no prosecutions, fines or enforcement action as a result of non-compliance with safety, health or environmental legislation. We have achieved significant reductions in accident rates and introduced a number of new initiatives to support the health and wellbeing of our employees.

Group Executive Committee

The Group Executive Committee, which is chaired by the Executive Chair, 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 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	Responsible operations report (page 21)
Employees	Ethical Policy Health and Safety Policy Equal Opportunities and Diversity and Inclusion Policy	Responsible operations report (pages 20 and 21)
Human rights	Modern Slavery Statement Ethical Policy	Responsible operations report (page 21)
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy Ethical Policy Whistleblowing Policy	Responsible operations report (page 21) Statement of corporate governance (pages 48 and 50)
Policy embedding, due diligence and outcomes		Principal risks and uncertainties (page 31)
Description of principal risks and impact of business activity		Principal risks and uncertainties (pages 32 to 38)
Description of the business model		Our business model and strategy (pages 12 and 13)
Non-financial KPIs		Key performance indicators (page 17)

RESPONSIBLE OPERATIONS 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 mix across all levels of our business. At 31 March 2022, 29.3% of our employees identified as female (2021: 31.6%). The proportion of women in senior management positions amounted to 11% (2021: 12%).

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.

The safety and wellbeing of the Carclo team has continued to be foremost in the minds of the Board and in addition to the measures introduced at the start of the pandemic a range of further actions have been taken to support colleagues through these challenging times. The Board is grateful for the positivity, resilience and dedication shown by colleagues again this year.

The Group formally launched its Group Health and Wellbeing Programme on 1 June 2021 ("Carclo cares"), and in particular put in place an Employee Assistance Programme ("EAP") helpline for all its employees globally from that date. A Group Stress, Mental Health and Wellbeing Policy was put in place from November 2021 and Health and Wellbeing Champion volunteers are now in place at each site, who drive forward actions locally. The Group is developing an intranet site where health and wellbeing can be better promoted going forward and so that employees around the world can exchange thoughts, ideas and best practice more informally.

The Group has continued to promote the health and wellbeing of its employees. For example:

- as a result of our actions the accident rate (number of accidents/hours worked) was reduced from 4.5/100,000 hours in 2020/21 to 3.7/100,000 in 2021/22 and lost time injury frequency rate reduced from 2.7 accidents per 100,000 hours worked in 2020/21 to 2.5 accidents per 100,000 hours worked in 2021/22 as shown in the Key Performance Indicators on page 17;
- the Group is rolling out ISO 45001;
- in China and India, Women's Day is celebrated every year. This includes a small gift and lunch for our female employees;
- in China, we traditionally hold an annual dinner and award and recognition ceremony for achievements, which coincides with the Chinese New Year; and
- a safety day was held in India. This year marked the 51-year anniversary of the event. An annual event is held whereby employees compete for prizes for slogans, make safety pledges and management communicates its plans.

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, and we currently have 39 employees enrolled in registered apprenticeships globally.

carclo cares

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 2022 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.

RESPONSIBLE OPERATIONS continued

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. We have donated over 10,000 face shields during the COVID-19 pandemic period to medical workers and first responders in our local communities in India. Last year we supported a local roads infrastructure programme, continued our support of providing LED street lamp lighting in local rural villages, as well as donating a further 3,000 face shields to frontline essential services.

Our CTP facility in Latrobe, USA donated over $1,200 worth of toys (both employees and the Company) at Christmas 2021 for the "Toys for Tots" campaign.

The Head Office wellbeing team hosted a charity event on 30 March 2022 in helping to raise awareness and funds as part of #BrainTumourAwarenessMonth, and raised a total of £225 for Yorkshire's Brain Tumour 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 supporting 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.

We also make charitable donations in support of local communities. In the 2021/22 year, the Group donated £14k to charity (2020/21: £15k).

It is the Group's policy not to make political donations and no such donations were made in the year (2020/21: £nil).

Task Force on Climate-related Financial Disclosures ("TCFD")

The TCFD recommendations constitute a robust reporting approach for organisations, with new requirements including: mapping the risks and opportunities to businesses arising from climate change, modelling a variety of climate change scenarios for a business, alongside more usual calculation of carbon footprints and associated operational metrics.

The TCFD recommendations come from the Financial Stability Board ("FSB"), an international organisation promoting macroeconomic stability, and they seek to better inform investors of the climate change implications for businesses. As a result, they are designed for organisations with a significant amount of equity. Various governments are adopting TCFD recommendations, and the UK is an early adopter.

Carclo is aware of the UK's adoption of the FSB's TCFD recommendations.

Given the difficult trading environment over the last two years and the new challenging and onerous reporting requirements, which will require enhanced management input to develop the reporting processes, Carclo has engaged appropriate stakeholders to establish suitable reporting routines for this new legislation in a timely and thorough manner in the next financial year.

As a result, our TCFD reporting will chart Carclo's progress by including climate-related disclosures consistent with TCFD recommendations and disclosures and the Listing Rules requirements of LR 9.8.6R.

Carclo has timetabled the development of its full TCFD reporting capabilities to commence in the next financial year.

Disclosures in future reporting will follow the seven TCFD recommended Principles for Effective Disclosures, so that they should:

1. represent relevant information;
2. be specific and complete;
3. be clear, balanced and understandable;
4. be consistent over time;
5. be comparable among companies within a sector, industry or portfolio;
6. be reliable, verifiable and objective; and
7. be provided on a timely basis.

These future disclosures will, as recommended by the TCFD, focus strongly on risks and opportunities related to transition to a lower-carbon economy.

The TCFD recommendations will help us better understand the climate-related risks we face and inform how we monitor and manage climate-related risks and opportunities.

To frame its disclosures, Carclo will take the four overarching Elements of Recommended Climate-Related Financial Disclosures, being:

A. Governance (the organisation's governance around climate-related risks and opportunities)
B. Strategy (the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning)
C. Risk Management (the processes used by the organisation to identify, assess and manage climate-related risks)
D. Metrics and Targets (the metrics and targets used to assess and manage relevant climate-related risks and opportunities)

Governance

The Board recognises that changes to the climate may have far-reaching consequences for the Group. The Board takes overall accountability for the management of risks and opportunities, which will include climate change.

Responsibility for developing and evaluating climate-related policies will be delegated to the ESG Committee, which will incorporate the TCFD Steering Committee, with first meetings planned in FY23. The Group Executive Committee and Board currently consider ESG matters as a standing agenda item.

The Audit and Risk Committee oversees and advises the Board on the Group's risk exposure, risk appetite and future approach to risk, and therefore will receive the reports of the ESG and TCFD Steering Committee for comment and review.

The ESG Committee will support the Board by reviewing and monitoring the processes for setting climate-related targets and collecting the data and information required to support the TCFD reporting and strategy.

The Audit and Risk Committee will also assist the Board by monitoring financial and non-financial climate-related risks. It will be responsible for tracking changes related to this area that could change the risk profile.

Strategy

As stated, Carclo will set up an ESG and TCFD Steering Committee to:

A. Identify climate-related risks and opportunities over the short, medium and long term
B. Ensure risks are added to our overall risk register
C. Develop a strategy to mitigate the identified risks and a strategy to evaluate any identified opportunities

Risk

A summary of our current principal risks can be found on page 31 of this annual report.

The Audit and Risk Committee reviews principal and emerging risks and how they are monitored.

Looking to the future, we will continue to strengthen how climate risk resilience is identified, assessed and properly embedded in our business and across its value chain.

Metrics and targets

We have reported on our Scope 1 and 2 emissions on page 24 of this annual report, which summarises in a tabular format these emissions for our business. Further metrics and targets will be identified as we conduct further analysis into the climate-related risks and opportunities. This will include consideration of, understanding, and identifying our Scope 3 emissions in order for Carclo to gain a wider understanding of our impact on the environment and how this impacts our trading relationships.

Next steps

Carclo's timetable for developing full TCFD reporting capabilities in the next financial year is as follows:

Q1 – Establish an internal steering committee responsible for TCFD delivery

Q1 – Engage with the Board to establish oversight of climate risks

Q1 – Commence data collection processes, building on those already in place for ESOS, SECR and CCA

Q2 – Commence mapping out risks and opportunities to Carclo from climate change (e.g. upstream and downstream goods and services' availability and price risks)

Q3 – Address Risk Management items of plans, amending processes as necessary to ensure this incorporates consequences of climate change

Q4 – Finalise Metrics and Targets items (for instance, finalising SECR figures for Scope 1 and 2, KPIs calculation)

Q4 – Final meetings to cover disclosures to be entered into the FY23 annual report

TCFD requirements are altogether stronger than previous carbon reporting legislation (e.g. ESOS, SECR) due to the Strategy and Governance components, which require senior stakeholder engagement. Our timetable for FY23 TCFD reporting will be guided through quarterly meetings adopting the over-arching TCFD themes of Governance, Strategy, Risk Management, and Metrics and Targets.

RESPONSIBLE OPERATIONS continued

Greenhouse gas emissions and energy consumption

The Group is required to report its annual greenhouse gas ("GHG") emissions pursuant to the Companies (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 2022 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:	2022	2021	Percentage change
Scope 1 (tCO_2e) Gas, fuel and industrial emissions	**567**	522	8.6%
Scope 2 (tCO_2e) Electricity	**19,129**	20,564	(6.7)%
Total (tCO_2e)	**19,696**	21,086	(6.3)%
Group revenue (£ million)	**128.6**	107.6	19.5%
Intensity ratio (tCO_2e per £1 million of revenue)	**153.1**	195.5	(21.3)%

Energy consumption

Carclo consumed a total of 42,157 MWh of energy globally during 2021/22 (2020/21: 44,068 MWh) comprising UK 2021/22 15,790 MWh (2020/21: 14,068) and rest of the world 2021/22 26,367 MWh (2020/21: 30,000 MWh). UK tCO_2e 2021/22 3,431 (2020/21: 3,200), rest of the world 2021/22 16,265 (2020/21: 17,900).

$$\frac{\text{Total energy consumed 42,157 MWh}}{\text{Total revenue £128.6 million}} = \text{328.5 MWh/£ million of revenue}$$

The intensity ratio of energy consumption has decreased this year due to increased Group revenue and a reduction in overall energy consumed.

Energy performance – electricity (MWh)

From April 2021 to March 2022 the total electricity consumption was 19,129 MWh and it has been calculated that 2021/22 electricity consumption is 6.7% lower than in the same period in 2020/21.

Energy performance – natural gas (MWh)

From April 2021 to March 2022 the total natural gas consumption was 567 MWh and it has been calculated that 2021/22 natural gas consumption is 8.6% higher than in the same period in 2020/21.

Energy performance – direct transport (MWh)

From April 2021 to March 2022 the total direct transport consumption was 458 MWh and it has been calculated that 2021/22 transport energy consumption is 38% higher than in the same period in 2020/21. The global pandemic in 2020/21 reduced transport consumption.

The Group has undertaken a range of improved energy management initiatives in the year.

There have been several energy efficiency improvements in the India site, including: MH lamps being replaced by LED lights at Hall B and Hall E, CFL lights being replaced by LED panel lamps in admin, office and assembly halls, auto on/off control (time based) provided to street lights and store area to minimise the illuminating hours, conversion of the T4 tubes into LED in all of the machine working tables, installation of motion sensors for work table lamps/ fans replaced by LED lights at Hall B – continued in this year, with a plan to install speed regulators in exhaust fans.

The Taicang site has updated the motor from fixed frequency to variable frequency for the HVAC system. In addition, they have upgraded heating fans for some machines to save energy, and have adjusted the room temperature in the facility.

The Bruntons site has renewed and serviced gas ceiling heaters in the factory to reduce gas usage.

Mitcham and China have added air saving nozzles for automation, leading to a reduction of 16% demand from compressors. China has converted the HVAC system from fixed frequency to variable for minimum 15% reduced power consumption. The China and Brno sites have improved their Barrel/Heater band, reducing energy by .63 kWh. per machine annually. The China facility has been converted to all LED lighting.

For FY23, all sites are evaluating the feasibility of solar panels, and energy monitoring of equipment included with MES. In addition, the site in China made some changes to reduce HVAC demands and tower/chiller systems to limit energy in cooling water. All sites will have energy monitoring on all equipment as Thingtrax integration is finalised. The Head Office has been relocated from an older stone building to a modern office, which has reduced square footage from, 4256 sq. ft to, 2450 sq. ft.

Methodology and exclusions

We have reported on all the emission sources required under the Companies (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 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. The total electricity conversion to CO_2 is on a location-based basis. Energy consumption is expressed in KWh: kilowatt hours, as this is the unit specified by SECR legislation. 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.

FINANCE REVIEW

> Financial improvement across the board despite global economic headwinds.

Phil White
Chief Financial Officer

Across the board, financial improvement despite global economic headwinds:

- Group revenue up 19.5% to £128.6 million (2021: £107.6 million)
- Underlying EBITDA up 21.3% to £13.1 million (2021: £10.8 million)
- Underlying operating profit up 26.0% to £6.1 million (2021: £4.8 million)
- Underlying EPS up 29.2% to 3.1 pence (2021: 2.4 pence)
- Statutory EPS 7.9 pence (2021: 10.1 pence)
- Exceptional, non-recurring gains £1.4 million (2021: £5.7 million)
- Pension deficit reduced 30.3% to £26.0 million (2021: £37.3 million)
- Net assets more than tripled to £24.4 million (2021: £7.9 million) from profit and pension gains
- Cash generated from operations of £6.8 million (2021: £11.2 million)
- Continued capital investment maintained at £9.7 million (2021: £10.4 million)

Against a range of global economic challenges in the financial year, the Group has delivered 19.5% revenue growth to £128.6 million (2021: £107.6 million), and higher underlying EBITDA growth of 21.3% to £13.1 million (2021: £10.8 million).

Underlying operating profit of £6.1 million (2021: £4.8 million) produced a return on sales of 4.7% (2021: 4.5%), despite the impact of rising cost inflation, particularly in the second half.

Underlying EBITDA growth of 21.3% to £13.1 million (2021: £10.8 million) included CTP EBITDA of £15.0 million (2021: £14.8 million), Aerospace EBITDA of £0.9 million (2021: £0.8 million), while Central underlying EBITDA costs improved by £2.0 million to £2.8 million (2021: £4.8 million), largely driven by the full year benefit of the cost reductions commenced in the prior year.

Net cash generated from operations was £6.8 million (2021: £11.2 million).

The Group gained substantial net exceptional and non-recurring income for the second successive year totalling £3.5 million (2021: £5.7 million). This included £2.1 million grant income from a US government post COVID-19 loan forgiven in the year, £0.9 million from new pension benefit initiatives, £0.7 million in discontinued operations from the final exit gains of the LED technology business, and £0.1 million costs for restructuring and rationalisation.

As a result, statutory operating profit remained high for a second successive year at £8.9 million (2021: £9.3 million).

Finance costs were £3.0 million (2021: £2.7 million), including notional pension deficit interest charged of £0.7 million (2021: £0.8 million), and taxation charges stayed low at £0.8 million (2021: £0.5 million), benefiting from a deferred tax credit of £0.7 million on resumed recognition of taxable profitability in the UK entities (the 2021 taxation charge included the release of some taxation provisions related to uncertainty).

Statutory profit after tax was £5.8 million (2021: £7.4 million) on all operations, and £5.1 million (2021: £6.2 million) on continuing operations, giving a statutory EPS on all operations of 7.9 pence (2021: 10.1 pence), and 7.0 pence on continuing operations (2021: 8.5 pence).

Underlying profit after tax increased by 33.3% to £2.3 million (2021: £1.7 million), giving an underlying EPS of 3.1 pence (2021: 2.4 pence), on underlying operating profit up 26.0% to £6.1 million (2021: £4.8 million).

The balance sheet has substantially strengthened as a result, with net assets growing by £16.5 million to £24.4 million (2021: £7.9 million). £11.3 million of the net asset growth came from the reduction in the pension deficit from £37.3 million to £26.0 million, aided particularly by committed additional pension contributions and improved discount rates applied to the pension scheme liabilities.

Net debt

All available net cash has been reinvested in targeted capital expenditure to drive forward business growth, with tangible additions of £9.7 million (2021: £10.4 million). £6.8 million of this investment has been achieved in leasing. Net debt including IFRS16 lease liabilities increased in the year by £4.8 million to £32.4 million (31 March 2021: £27.6 million), with the increase driven by a combination of significant investment in new plant and equipment to support future growth and an increase in inventory. Net debt excluding leases remaining broadly similar at £21.5 million (2021: £20.5 million).

Trading performance

Overall Group revenue (wholly from continuing operations) increased by 19.5% to £128.6 million (2021: £107.6 million) with CTP revenue of £123.9 million, up 20.9% (2021: £102.5 million) and Aerospace revenue of £4.7 million, down 7.8% (2021: £5.1 million).

Underlying EBITDA from continuing operations increased 21.3% to £13.1 million (2021: £10.8 million).

Underlying operating profit from continuing operations increased by £1.3 million to £6.1 million (2021: £4.8 million), with the total rising to £8.2 million including the separately disclosed income from the forgiveness of a US government loan provided to support the impact of COVID-19 on US businesses.

Of this, Aerospace operating profit was £0.7 million (2021: £0.6 million). CTP operating profit was £10.5 million including £2.1 million post COVID-19 grant income (2021: £9.2 million). Other Group and central costs were cut by £1.9 million to £3.0 million (2021: £4.9 million). We significantly rationalised central costs while giving divisions more accountability.

A reconciliation of statutory to underlying non-GAAP financial measures is provided on page 153.

The CTP division performed strongly in the first half of the year with demand continuing to grow for medical and diagnostic products. However, second half trading was more challenging due initially to difficulties recruiting labour in the US and then cost escalations across raw materials, energy, packaging, freight and other overheads. Whilst the impact of raw material cost increases can largely be passed on to customers (albeit with some time lag) the overall impact of these increases reduced margins in the second half, particularly in the US operations.

The Aerospace division has managed to maintain operating profitability at £0.7 million for the year (2021: £0.6 million) and continued to generate cash throughout the year. Order intake improved significantly in the second half of the year. Margins have been maintained despite significant cost increases in the second half and made up for a small reduction in turnover to £4.7 million (2021: £5.1 million).

The Group has received its final proceeds from the exit of its LED Technologies business, and has simplified its structure and focus purely on CTP and Aerospace growth. The Group has completed this re-focus while making net exceptional gains for a second successive year, mainly from the LED business exit and pension scheme initiatives. As a result, net exceptional gains from discontinued business were £0.7 million (2021: £1.2 million).

Further net exceptional gains from pension scheme initiatives were £0.9 million (2021: £6.5 million). Other net exceptional costs primarily deal with the restructuring and rationalisation of the Group £0.2 million (2021: £2.0 million). These were undertaken largely in conjunction with mutually agreed plans and actions between the Group, the pension trustees and the principal bank as established in the re-financing agreement of August 2020.

After exceptional and separately disclosed items, operating profits for continuing operations were £8.9 million (2021: £9.3 million).

Finance costs were £3.0 million (2021: £2.7 million), comprising net bank interest of £1.7 million (2021: £1.6 million), pension non-cash notional finance charges of £0.7 million (2021: £0.8 million) and leasing and other interest charges of £0.5 million (2021: £0.3 million).

Group underlying profit before tax from continuing operations was £3.1 million (2021: £2.2 million), rising to £5.2 million including the COVID-related US loan forgiven in the year. Group statutory profit from continuing operations before tax including exceptional and non-recurring items was £5.9 million (2021: £6.7 million).

Group taxation of £0.8 million (2021: £0.5 million) includes a deferred tax credit of £0.7 million as the UK businesses return to sufficient projected profits in total to recognise a deferred tax asset. The 2021 tax charge was lower than the UK effective tax rate after taking account of provisions for tax uncertainties no longer required and timing differences. Underlying Group tax charges tend to be higher than the UK effective tax rate due to the weighting of taxable profits generated in higher tax jurisdictions as well as occasional withholding tax charges charged on some overseas dividends declared.

Profit after tax before discontinued operations was £5.1 million (2021: £6.2 million) and Group statutory profit after tax, which includes discontinued operations, was £5.8 million (2021: £7.4 million).

Basic underlying earnings per share from continuing operations were 3.1 pence (2021: 2.4 pence) which excludes separately disclosed and exceptional items and discontinued operations.

Statutory basic and underlying earnings per share from continuing operations were 7.0 pence (2021: 8.5 pence) and including discontinued operations was 7.9 pence (2021: 10.1 pence).

FINANCE REVIEW continued

Capital expenditure

In the year, the Group invested £9.7 million in property, plant and equipment (2021: £10.4 million), with the majority in CTP's UK and US operations to support growth with both existing and new customers, largely from the medical sector. This represents 142.2% of the Group depreciation charge of £6.8 million for the year for property, plant and equipment (2021: 179.7% on £5.8 million charge).

Bank facilities

At 31 March 2022, total UK bank facilities were £33.8 million, of which £3.5 million related to a revolving credit facility and £30.3 million in term loan facilities, which include £1.4 million scheduled for repayment by September 2022.

The Group, the bank and the pension scheme trustees are actively engaged in negotiations over the refinancing of the bank debt beyond the current expiry date of 31 July 2023 and over the updated schedule of contributions. The parties are committed to a plan to finalise these by 31 July 2022 and the Directors have an expectation that this will be achieved.

Defined benefit pension scheme actuarial valuation

The last triennial actuarial valuation of the Group pension scheme was carried out as at 31 March 2018, reporting an actuarial technical provisions deficit of £90.4 million. The next triennial actuarial valuation results as at 31 March 2021 are not expected to be finalised until the end of July 2022. The actuary released a draft 2021 valuation report on 23 November 2021 based on early assumptions, which recorded an actuarial deficit of £82.8 million (2021: £90.4 million from the 2018 triennial valuation) representing a 67% funding level.

By way of comparison, the statutory accounting method of valuing the Group pension scheme deficit under IAS 19 resulted in a reduction in the net liability to £26.0 million (2021: £37.3 million).

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. In terms of sensitivity, based on the 2021/22 results, a 10% increase in the value of sterling against these currencies would have decreased reported profit before tax by £0.8 million (2021: £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 2021/22 (2021: £nil). The Board intends to recommence dividend payments only when it becomes confident that a sustainable and regular dividend can be re-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 153.

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 for 2021/22 is provided below:

£000	Statutory	Exceptional items	Before exceptional	COVID-related US grant	Underlying
CTP operating profit	10,480	—	10,480	2,087	8,393
Aerospace operating profit	677	—	677	—	677
Central costs	(2,253)	721	(2,974)	—	(2,974)
Group operating profit from continuing operations	8,904	721	8,183	2,087	6,096
Net finance expense	(2,989)	—	(2,989)	—	(2,989)
Group profit before taxation from continuing operations	5,915	721	5,194	2,087	3,107
Taxation expense	(809)	—	(809)	—	(809)
Group profit for the period from continuing operations	5,106	721	4,385	2,087	2,298
Profit on discontinued operations, net of tax	693	693	—	—	—
Group profit for the period	**5,799**	**1,414**	**4,385**	**2,087**	**2,298**
Basic earnings per share (pence)	**7.9p**	**1.9p**	**6.0p**	**2.8p**	**3.1p**

The exceptional items comprise:

£000	Continuing operations	Discontinued operations	Group
Restructuring and rationalisation costs	(133)	—	(133)
Gain in respect of retirement benefits	854	—	854
Profit on sale of LED Technologies business	—	693	693
Total exceptional items	**721**	**693**	**1,414**

Post balance sheet events and going concern

Post balance sheet events

On 29 April 2022, subsequent to the balance sheet date, the Group entered into a sale and leaseback agreement for a Technical Plastics manufacturing site at Tucson, Arizona, USA. The transaction is expected to complete in July 2022 for a purchase price of $2.95 million less costs of $0.2 million. A lease term of nine years has been agreed and grants the Group the right to cancel any time after three years, provided twelve months' notice is given. At 31 March 2022 there is no reasonable certainty that the Group will exercise the break clause. The Group expects to recognise a profit on disposal in respect of the site of £0.6 million in the year ending 31 March 2023.

Going concern

The financial statements are prepared on the going concern basis.

Group performance during the year has enabled capital and working capital investment to be made whilst retaining a stable financial position with net debt excluding lease liabilities as of 31 March 2022 increasing to £21.5 million (2021: £20.5 million).

The debt facilities available to the Group comprise a term loan of £30.3 million, of which £1.4 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility which was fully utilised as of 31 March 2022. Both of these facilities mature on 31 July 2023.

A schedule of contributions with the pension trustees is in place through to July 2023; beyond this a schedule of contributions for £3.5 million annually is in place until 31 October 2040. This schedule is reviewed and reconsidered between the Company and the trustees at each triennial actuarial valuation, the next being after the results of the 31 March 2021 triennial valuation are known. This valuation, and accordingly an updated schedule of contributions which has been provisionally agreed, is expected to be concluded by 31 July 2022. For the purposes of this going concern review the extant schedule of contributions has been considered in the base case.

FINANCE REVIEW continued

Post balance sheet events and going concern continued

Going concern continued

An intercreditor deed between Carclo plc, certain other Group companies, the bank and the pension scheme trustees requires the Group to have refinanced its bank debt with a maturity date not earlier than 31 March 2026 and to have agreed an updated schedule of contributions for the actuarial valuation of the scheme as at 31 March 2021 by 31 July 2022 (this date having been recently extended by one month).

The Group, the bank and the pension scheme trustees are actively engaged in negotiations over the refinancing of the bank debt beyond the current expiry date of 31 July 2023 and over the updated schedule of contributions. The parties are committed to a plan to finalise these by 31 July 2022 and the Directors have an expectation that this will be achieved.

As such the Directors' going concern assessment period is twelve months from the date of signing these financial statements.

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 Limited; Bruntons Aero Products Limited; 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 Limited being treated as non-core for the purposes of these covenants.

It is assumed that the bank covenants and thresholds set out in the current banking agreement are in place throughout the going concern assessment period and are not amended as a result of the ongoing refinancing.

Based on our current base case forecasts, these covenant tests are expected to be met throughout the assessment period.

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 respect to the years to 31 March 2022 and 31 March 2023 the test requires any shortfall of pension deficit recovery contributions when measured against Pension Protection Fund 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 Technical Plastics and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Directors have reviewed 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 current 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.

In addition, the Directors have reviewed cash flow and covenant forecasts for the same time period based on management's best estimates of the impact of the ongoing negotiations on facilities and pension contributions which includes currently uncommitted bank loan repayments and provisionally agreed additional pension deficit recovery contributions contingent on future performance. These demonstrate that the Group has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have reviewed sensitivity testing based on a number of reasonably possible scenarios, taking into account the current view of impacts of the continuing COVID-19 pandemic on the Group (particularly from supply chain disruption and any unmitigated cost inflation across all types of operational expenditure) and possible political uncertainty, including the impact of the Russian invasion of Ukraine and heightened risk of wider conflict, Brexit and other possible overseas trading issues.

Severe downside sensitivity testing has been performed under a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, delays in the timing of commencement of significant contractual projects, reduction in revenue from specific customers, minimum wage increases, unmitigated inflationary impact across operating costs and exchange risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Directors consider that the Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditure 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.

PWLit

Phil White
Chief Financial Officer
29 June 2022

PRINCIPAL RISKS AND UNCERTAINTIES

Carclo defines risk as uncertainty, whether positive or negative, that will affect the outcome of an activity or intervention.

The Group operates a risk management framework to direct and control the organisation with regard to risk.

Carclo's appetite for risk is categorised across the Strategic, Operational, Financial and Compliance risk categories of the business and is set out below. This operates as a guide to management for appetite levels in approaching risk to help set priorities and levels of focus.

Risk category	Risk appetite	Description
Strategic	Moderate	The Group is prepared to take moderate risks to realise its ambitions. In doing so, we aim to strike a balance between our socio-economic role (low risk acceptance) and our commercial targets (higher risk acceptance).
Operational	Very low	The Group focuses primarily on ensuring the continuity and shareholder contribution of business activities, regardless of circumstances. We aim to reduce the risks that threaten this continuity as much as possible. Our risk acceptance in this regard is therefore very low. In the area of safety and security, we do all we can to avoid risks that could put our customers, internal and external employees or visitors in danger.
Financial	Low	We aim to maintain a solid financial position in order to provide stability and value added to our stakeholders including shareholders, bank, pension scheme trustees, suppliers, customers and all stakeholders connected to the Carclo chain. The Group is not prepared to take risks that could jeopardise its credit ratings or harm its key financial relationships.
Compliance	Zero	The Group strives to comply with all applicable laws and regulations, with a particular focus on safety and security, environmental, competition, tendering and privacy/information security laws.

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 is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

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.

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).

Management is accountable to the Board for monitoring the system of internal control and for providing assurance to the Board that it has done so.

An essential part of the risk management framework is for management to monitor the framework's operation in order to provide assurance throughout the management organisation and to those responsible for governance that it is operating effectively.

Management are further developing processes for ensuring that the risk management stages such as event identification, risk assessment, selection of responses and risk reporting are working.

This includes, since risks change over time, managers giving attention to ensuring that risk registers are being updated for new or changing risks and that internal controls are being adapted and developed where necessary.

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.

PRINCIPAL RISKS AND UNCERTAINTIES continued

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 meetings. This Committee then proposed the risks that it considered key to the running of the business for evaluation at the 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. Group Executive Committee meetings now regularly select a Group risk register item for particular focus according to priority or rotation.

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

The responsibilities of the Audit and Risk Committee are explained on pages 50 to 53. 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 and Risk Committee receives reports from management on the effectiveness of those systems it has established.

Listed on the following pages are the most significant risks that may affect the Group, although there are other risks that may occur and impact the Group's performance.

Risks	Mitigation	Change
1. Supply chain disruption and political uncertainty, including Brexit leading to increasing input costs Political uncertainty such as the Russian invasion of Ukraine and heightened risk of wider conflict, Brexit in the UK 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 in those locations. These political risks are exacerbated by the COVID-19 pandemic and impact on global industries with diverse supply chain dependencies such as the Group's. Supply chain costs, delays, shortage of labour and materials resource are now having a significant impact on costs, profitability and customer service for Carclo alongside many industries. The risk resulting from Brexit has largely been superseded by challenges with both national and international supply chains and cost increases across labour, materials, energy and transport.	**Process:** The Group Executive Committee ("GEC") and local management monitor and review relevant post-COVID-19 supply chain risks and political and trade developments regularly, using input from advisors as appropriate, and establish action plans and strategies accordingly, while engaging with trade associations and government links. **Increasing risk level:** Supply chain difficulties and increased costs escalated in late 2021 and early 2022, with continued headwinds forecast into the new financial year. Carclo continues to work tactically and specifically with priority areas of the supply chain and customer delivery to minimise supply disruption, net cost impact, and customer shortfalls in delivery. Brexit impact is no longer the driving risk here, but post-COVID-19 materials and labour shortages, subsequent higher cost, and greater delays in order fulfilment. **Offsetting opportunities:** Management is putting an increased focus on operational effectiveness and efficiency to mitigate the effects of these challenges. In addition, in early 2022 management undertook a review of its input costs and gross margins and has implemented a series of price increases in order to mitigate increased input cost.	

Risks	Mitigation	Change
2. COVID-19 The COVID-19 pandemic has been an unexpected shock to the global economy and economic activity has been suppressed globally. As the pandemic has progressed governments' policies have emerged, however we continue to see differing approaches being taken by different governments in response to virus mutations, outbreaks and waves. These issues have added complexity in globalised supply chains. There is a risk to customer demand, supplier capability and our own capability to deliver, meaning the Group needs to adapt to continually changing circumstances. Notwithstanding strong demand in the medical sector, changing working practices and shutdowns have an impact on operational efficiency which inevitably affects profitability. The Group's Aerospace division has witnessed a significant reduction in customers' aircraft newbuild programmes and with much of the global civil aircraft fleet having been grounded since March 2020, demand for both newbuild and spares has been negatively affected. There does seem to be some signs of optimism in early 2022 as orders are outpacing sales, albeit from low levels. The Technical Plastics division was affected with some early plant closures. Whilst closures appear to have diminished there remains the risk of further waves of infections globally. While the likelihood of disruption to the business appears to have reduced, the potential impact of further mutations in the virus and significantly disruptive waves remains. The Group continues to be vigilant and is conscious of COVID-19 protection requirements and employee welfare.	**Modifying working procedures:** The Group has continued to actively monitor the COVID-19 outbreak in line with local and national authorities, public health bodies and WHO guidelines and will continue to modify procedures and working practices accordingly. **Accessing government support:** Government support programmes have been accessed 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. Action has also been taken to reduce costs where possible in both divisional and central areas. As a result, despite the operational and financial setbacks experienced from COVID-19 disruption, the Group has managed to achieve and exceed its financial targets set for the year. **Creating bank headroom:** The refinancing agreed with the Group's principal bank in August 2020 provided an additional £3 million headroom to support the Group to manage through the near-term uncertainty presented by the COVID-19 pandemic, and the Group was well protected with cash headroom and Group cash balances of over £12 million at 31 March 2022. **Management monitoring:** The Group has weekly meetings where key issues are raised. COVID-19 remains a recurring agenda item in the monthly Group Executive Committee meetings. Executive Directors talk with the divisional managing directors frequently to ensure issues are picked up quickly. **Health and safety balancing:** Operational changes are being made continuously across all sites to minimise health and safety risk whilst maintaining production capability. **Offsetting opportunities:** Commercial opportunities within the medical testing sector are also being pursued. Cost-saving initiatives are pursued to mitigate areas of ongoing suppressed demand. **New business:** The Group has successfully won COVID and non-COVID testing work in CTP USA and CTP UK. **Disruption mitigation:** On the whole, our sites have continued to manufacture throughout the pandemic with modest closures seen. Instances of COVID-19 within the workforce have been low and spread out sufficiently to not be a major disruption. The Group remains focused on ensuring operational continuity wherever it can; however, it remains very difficult to predict how the ongoing pandemic will affect performance until the impact of new variants and waves of infection is sustainably reduced longer-term. Whilst the disruption of the most recent variant of note, Omicron, appears to have been less severe than its predecessors, the global population is not fully vaccinated and subsequent variants could be more deadly. **Stakeholder support:** The bank and pension scheme remain supportive. No payment holidays have been needed or put into place thus far.	=

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risks	Mitigation	Change
3. IT security breach, systems failures Hacking and ongoing data security risk is a concern for businesses everywhere. For listed companies like Carclo the risk increases. Since the 2020 COVID-19 outbreak there has also been a substantial rise in cyber-criminal activity such as ransomware and trojan deployment and an increase in sophistication and frequency of attacks has been seen. Stakeholders and insurers are increasing the thresholds required of cyber security greatly, and increased turbulence in the global economy and stability has further heightened risk of unwanted systems breaches. Our IT systems process immense data volumes each day. These systems contain confidential information about our customers, employees and shareholders. A breakdown or system failure may lead to major disruption for the businesses within the Group, especially if network access is lost. Breaches of IT security may result in unauthorised access to or loss of confidential information, breaches of government data protection legislation, loss or stoppage of business, reputational damage, litigation and regulatory investigation or penalties. Systems failure impact can have significant operational and financial ramifications if connection is unable to be restored quickly.	**Security frameworks:** Carclo uses a security password protected firewall to help minimise the risk of fraudsters hacking into the system, and has a number of security solutions to monitor and protect its users and maintains its systems with up-to-date versions of all its major applications. A series of new cyber controls are planned in the forthcoming year and beyond, including the introduction of multi-factor authentication across all Group sites. **Multi-level security and review:** IT management undertakes regular risk reviews to keep data secure and construct a layered environment that provides a countermeasure to the varying forms of cyber-attacks. Multiple security applications, layers of back-up, limiting access to core systems and restructuring IT in-house skill to proactively respond to emerging cyber threats are some of the countermeasures activated. Specific cyber risk reviews have been recently carried out by an external consultant to create an independent framework of focus and action plans on priority improvement areas for cyber security. **Accelerating cloud-based systems and security migration:** As part of the Group's new IT strategy the Group is accelerating migration to cloud-based systems and security for underpinning protection of Group systems as well as cost-efficiency and effectiveness. **Reducing Disaster Recovery lead times:** The business has a defined Disaster Recovery process. Previous targets for full recovery in five days are now being superseded by new solution plans to roll out 24-hour data recovery and return to operations. The Disaster Recovery solution is formally tested each year and also undergoes several ad hoc restore cycles during each year to ensure readiness.	

Risks	Mitigation	Change
4. Treasury risk (funding, liquidity, foreign exchange ("FX"), and banking and pension covenants) 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. Carclo plc can draw down on a £3.5 million UK revolving credit facility committed by the Group's principal bank until 31 July 2023 and UK liquidity has to be managed through this facility. At 31 March 2022 the facility is fully drawn. There are covenants over interest cover, net leverage, core subsidiary revenue and core subsidiary EBITA in respect of the agreed £38 million committed debt facility. These are tested quarterly. The covenant tests are expected to be met based on management's current forecast. A fifth covenant is in favour of the Carclo Group Pension Scheme in respect of the Group's defined benefit pension liabilities to current and former employees. Breach of any of these covenants could lead to these creditors calling in their debts, leaving the plc insolvent. In terms of foreign exchange ("FX") risk, Carclo plc has GBP denominated debt for the pension scheme, and dollar and euro denominated bank debt. There is a risk that income is generated in foreign currencies that are not an exact match with the denomination of the bank debt which could impact the Group's ability to service that debt. Strengthening of GBP against the subsidiaries' functional currencies creates a risk to P&L forecasts. Potential interest rates increases could also increase debt servicing costs by approximately £0.1 million for each 0.25% interest rate increase.	**Weekly cash planning and monitoring:** Group management monitors liquidity across all regions through a rolling 13-week cash forecast and over the medium term through annual three-year forecasting, while maintaining a regular dialogue with the principal banker. **Covenants results and projections:** Bank and pension covenants have been met continuously since establishing the initial £38 million bank debt facilities in August 2020. At 31 March 2022, the facility available is £33.9 million, comprising a £30.4 million term loan facility and a £3.5 million revolving credit facility. Group cash headroom at 31 March 2022 against bank facilities was high at over £12 million and net debt excluding lease liabilities was £21.5 million. Current forecasts for the financial year to March 2023 indicated covenants will be met. **Monthly/quarterly compliance monitoring:** Covenant compliance is reported monthly to the bank and pension scheme trustees in tripartite reports and is reviewed alongside Group performance regularly in tripartite quarterly management meetings with the Executive Chair and CFO. **FX – Monthly projection monitoring:** Annual financial forecasts are monitored for exchange risk on a monthly basis. **Divisional FX hedging accountability:** FX risk is managed at subsidiary level through natural hedges or forward contracts where necessary and the FX commitment timing and quantum is known and material. Subsidiary-level risk management has been effective to date with relatively minor exchange gains and losses recognised at subsidiary level. **Group FX hedging policies are in place:** These are set out in the Group finance manual to help mitigate FX exposure in central treasury with reference to latest currency cash flow and financial forecasts. Budgeted projections allow for expected interest rate inflation. **Multi-currency bank loan debt hedging in place:** USD13.3 million and EUR4.9 million of debt is held in currency, providing a hedge over parts of the Group's net investment in foreign operations. **Individual material FX cash flow hedging is applied** where significant FX exposure may arise, such as from large capital or project spend or sale contracts, or where significant cash repatriations are assessed against net FX cash current and forecast positions to determine whether hedging is appropriate. The main mitigation to inflationary impact is to manage working capital and capital expenditure effectively and accordingly within the regular rolling weekly and monthly treasury and covenant forecasts undertaken.	=

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risks	Mitigation	Change
5. Repatriation of cash to holding company The majority of the Group's earnings are now generated overseas, with the plc itself non-trading and therefore requiring regular funding as a cost centre entity with committed bank and pension debt repayments. If there was insufficient ability for overseas subsidiaries to repatriate cash to the plc then it could create a liquidity shortfall.	**Monitoring:** The Group generally aims to generate sufficient cash to cover holding company shortfalls, although there may be timing shortfalls to forecast, monitor and resolve with funding where needed. The Group monitors liquidity Group-wide by country through a rolling 13-week cash forecast and over the medium term through annual three-year forecasting. **Inter-company charge processes in place:** Cash is regularly remitted to the UK from subsidiaries from trading income, royalties and management service recharges, such as IT, Group finance and management, dividends and intra-group loans. Subsidiaries regularly forecast their available cash to remit over the short and medium time horizons, allowing UK liquidity to be planned and managed. **Support from professional tax and treasury advisors** provides appropriate technical and legal guidance on inter-company trading, charges and managing the appropriate and effective payment and receipt of inter-company cash.	=
6. Pensions Carclo's UK defined benefit pension scheme, having long since closed to new entrants, is mature and large compared with the size of Carclo. The scheme is backed by substantial assets amounting to £155.8 million at 31 March 2022 (2021: £167.4 million), with an IAS 19 accounting deficit at 31 March 2022 of £26.0 million (2021: £37.3 million). 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 £2.8 million in the year to 31 March 2021, £3.9 million in the year to 31 March 2022 and £3.8 million in the year to 31 March 2023. The Group is in discussion with the pension fund trustees to finalise the triennial valuation as at 31 March 2021 including the resultant contribution levels for that valuation. Whilst the interests of the Group and the pension fund trustees are aligned in agreeing an affordable schedule of deficit repair contributions, there is always some element of risk that this will not be achieved. Therefore, there remains a risk that the Pensions Regulator may impose conditions on the Group that the Directors deem to be unaffordable. The Group expects it will be able to make the payments set out in the schedule of contributions. The PPF levy is a tax on the scheme's net liability driven by the Group's credit risk. During COVID-19, UK government policy has introduced a lower cap which has kept the levy at £0.6 million, but if the cap is lifted there is a risk of the levy rising to around £1 million. This cost would be recognised in the Group income statement and whilst it would be settled out of scheme assets, thus protecting the Group's cash, it diminishes the deficit reduction effect of the Company's contributions.	**Trustee liaison:** The Group fully and regularly engages with the scheme Chair of the Trustees, who is responsible for the development of a strategy to proactively manage assets, liabilities and administrative costs of the scheme. **Trustee regular monitoring:** Regular review of the pension scheme and Company position is conducted currently in the form of tripartite meetings between the bank, trustees and Company. **Deficit reduction initiatives:** The Group works with the trustees on deficit reduction initiatives. The Group offers eligible pensioners the option to switch from a pension with indexed-linked pension increases to a higher fixed pension with no future increases. The Company has also introduced a Bridging Pension Option which reduced the accounting (IAS 19) calculation of the scheme deficit and may also reduce the scheme liabilities on the trustees' technical provisions basis. **PPF levy management:** The Group continues to liaise with advisors and the scheme's Chair in respect of PPF levy management and other opportunities which can help benefit members and scheme liabilities. **Enterprise value growth:** Group management, with the support of the bank and scheme, is focused primarily on growing Group enterprise value to reduce the deficit relative to the size of the Group. The Group has presented its budget and long-term plans to the scheme and the bank at their request in the form of a Value Creation Plan. **Investment strategy:** The Company has participated in Trustee Board changes made to the scheme's investment management and strategy which was updated during the year to 31 March 2022. This resulted in adopting a slightly higher risk, higher return strategy which was considered to be more likely to enable asset growth to help reduce the scheme's deficit.	=

Risks		Mitigation	Change
7.	**Reliance on major customers and credit risk** A substantial part of the Group's revenue is concentrated in a relatively small number of large customers. Any underperformance could lead to the loss of existing or future business. Further, other competitive factors or changes in customer behaviour could lead to a significant loss of revenue. Pressures from price increases required to offset the post-COVID-19 input cost inflation impact across the business and international economies could trigger opposition from customers and destabilise the relationship. The largest concentration of customer risk is at the India plant with predominantly one large global customer. Credit risk is expected to increase generally as a result of the pandemic. We have a major end customer of the Aerospace business, who along with the rest of the sector has experienced a turndown in the aerospace market due to the COVID-19 pandemic. This has led to reduced flight demand and has suppressed aircraft build rates and in turn demand for our products. Orders are however now recovering as air travel increases and aircraft build rates are reverting to more normal levels.	Management is putting an increased focus on operational excellence to ensure that the Group retains its key customers through class leading cost, quality and delivery. The Group has long-standing positive relationships with its key customers and the high levels of investment the Group has made in both production equipment and process know-how help to ensure the longevity of those relationships. Diversification of business is being sought longer term where concentration levels are most high, such as India. This will take time to develop. Credit risk has been reduced significantly by gaining credit insurance cover in the financial year for the whole Group, including notably India and China, where previously credit insurance cover was absent or limited. Our policy has been to focus on major customers who are blue-chip multi-nationals operating in the medical, electronics and aerospace markets, providing a degree of credit protection from strength, size and reputation. The change to the level of bad debts experienced in the year under review, and the prior year, were negligible.	

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risks	Mitigation	Change
8. Operational execution risk and management bandwidth/dependence on key individuals The new financial year requires additional execution focus on new major contracts, plus increasing attention to effective capacity utilisation as the Technical Plastics business expands. The division has won new multiple major tooling and supply contracts and is looking to expand further. If these are not well executed they will absorb management time, impact customer relationships and hinder forecast earnings growth and cash generation. Scarcity of labour globally, but in particular in the US, may impact the Group's ability to execute both projects and production. The management of the Group has been stretched following the restructuring, and after streamlining and refocusing of the Group over the last two years. There are some key members of management with significant experience of the business and upon whom the Group particularly relies. There is a continuity risk in the case that any of these individuals are no longer present.	**Regular risk reviews:** The Group has developed an enhanced focus on site-level risk management. Frequent management reviews between risk owner and reporting managers are conducted. **Succession planning:** The Group has commenced the roll-out of formal succession planning across all management to identify and mitigate the highest risks for cover and succession and implement plans to reduce the risk of significant business impact from key dependent loss. **Operational excellence:** The Group is putting an increased focus on operational excellence to ensure that the operational execution risk is minimised. This involves investment in both people and systems to ensure that the business meets both the needs of its customers and also maximises the efficient usage of its assets. **KPI reporting and regular local and Group management monitoring:** Performance execution is managed via enhanced focus on management of risks at a local level, regular and frequent management reviews between risk owner and reporting managers and the use of operational KPIs reporting and monitoring.	=

VIABILITY STATEMENT

The Board has assessed the viability of the Group over a three-year period to 31 March 2025 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 2023 and the forecasts for the years ending 31 March 2024 and 31 March 2025.

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.

On 14 August 2020 Carclo plc 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. Built into the agreements are the commitments that by 31 July 2022 (this date having been recently extended by one month), Carclo will have agreed a) a refinancing of its Lender Facilities to extend to 31 March 2026, and b) a Schedule of Contributions with the trustees reflecting funding requirements in connection with the actuarial valuation of the scheme as at 31 March 2021.

Key to the Group's viability, in addition to securing continuity of lending facilities, is that the pension scheme continues to support the Group. The Group is working closely with the pension scheme trustees to ensure that this continues to be the case, and the current level of pension contributions required is set through to July 2023. The 31 March 2021 triennial valuation, and accordingly an updated schedule of contributions which has been provisionally agreed, is expected to be concluded by 31 July 2022.

The Group, the bank and the pension scheme trustees are actively engaged in negotiations over the refinancing of the bank debt beyond the current expiry date of 31 July 2023 and over the updated schedule of contributions. The parties are committed to a plan to finalise these by 31 July 2022 and the Directors have an expectation that this will be achieved.

The debt facilities available to the Group comprise a term loan of £30.3 million, of which £1.4 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility which was fully utilised as of 31 March 2022. Both of these facilities mature on 31 July 2023.

The tripartite agreement with lenders and the pension scheme of 14 August 2020 also sets out the schedule of defined benefit pension scheme deficit repair contributions comprising contributions of £3.8 million in the year ending 31 March 2023. The Directors have assessed that all contributions and bank repayments are affordable throughout the three-year period and are reflected in the covenant projections. Further they have assessed that management's best estimates of the impact of the ongoing negotiations on facilities and pension contributions, which includes currently uncommitted bank loan repayments and provisionally agreed additional pension deficit recovery contributions contingent on future performance, 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 current 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, the terms of which are expected to be complied with under the current management projections. In respect to the years to 31 March 2022 and 31 March 2023 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 triennial actuarial assessment of the Group's defined benefit pension scheme liability as at 31 March 2021 and associated deficit repair contributions must be agreed by the Group and the pension fund trustees by 31 July 2022 and is nearing conclusion. The associated deficit repair contributions would continue to be applied following maturity of the current financing agreement on 31 July 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. In order to mitigate the risk to the Group, the Board continues to work closely with the pension scheme trustees to help reduce liabilities and risk associated with the defined benefit pension scheme where appropriate.

VIABILITY STATEMENT continued

The current financing agreement provides the bank and pension scheme during the term of the facility with 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.

Management has considered whether it is aware of any specific relevant factors, other than more foreseeable risks that any business faces, beyond the three year time horizon. Aside from the risk relating to future pension scheme deficit repair contributions, bank loan repayments and related covenants arising from the ongoing negotiations described above, and consideration of the principal risks and uncertainties and mitigation plans as set out in the annual report, they have concluded that there are no others of a significantly material nature.

The Directors have reviewed sensitivity testing based on a number of reasonably possible scenarios, taking into account the current view of impacts of the continuing COVID-19 pandemic on the Group (particularly from supply chain disruption and any unmitigated cost inflation across all types of operational expenditure) and possible political uncertainty, including the impact of the Russian invasion of Ukraine and heightened risk of wider conflict, Brexit and other possible overseas trading issues.

Severe downside sensitivity testing has been performed under a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, delays in the timing of commencement of significant contractual projects, reduction in revenue from specific customers, minimum wage increases, and unmitigated inflationary impact across operating costs and exchange risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Directors consider that the Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditure as necessary. In terms of monitoring the current commercial environment for risk, there are no indications of any significant deterioration in the sales order book pipeline, and no material capital spend commitments outstanding which would appear to be at risk of longer-term material financial loss.

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 29 June 2022 and signed on its behalf by:

Nick Sanders
Executive Chair

Phil White
Chief Financial Officer

CHAIR'S INTRODUCTION

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

Nick Sanders
Executive Chair

The statement of corporate governance practices set out on pages 46 to 49, 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 2022. This report seeks to provide shareholders and other 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 August 2020, I have observed the Board's desire to maintain and continually strengthen 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 the 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.

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 in the coming year, including: continued improvement in 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; improving the assessment of senior leadership in the Group and development of better succession planning; and more interaction between Non-Executive and Executive Directors between Board meetings. In line with best practice, although not a requirement for a company of this size, 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 responsible operations report on pages 18 to 25.

Peter Slabbert and David Toohey indicated their intention not to seek re-election as Non-Executive Directors after both serving the Group over the last six years, and they retired from the Board on 31 March 2021 and 30 April 2021 respectively.

We were pleased to be able to recruit Eric Hutchinson and Frank Doorenbosch to the Board alongside Joe Oatley, our Senior Independent Non-Executive Director, bringing a wealth of business and specific industry experience that will be invaluable as we execute our strategies going forward. Eric was appointed in January 2021 and became Chair of the Audit Committee in March 2021, taking over from Peter Slabbert. Frank was appointed in February 2021, and took over as Chair of the Remuneration Committee in April 2021 following David's departure.

CHAIR'S INTRODUCTION continued

Dear shareholder continued

In March 2021 Phil White joined the Board as the permanent CFO after a short period as interim CFO. Phil also brings a wealth of knowledge and experience to the business and he is working alongside me on driving improvements across the Group.

With effect from 6 June 2022, Frank Doorenbosch was appointed as a consultant to the Group for a period of up to twelve months, and accordingly became an Executive Director for that period. Frank will focus on assisting the Carclo Technical Plastics division to improve its operational effectiveness in the face of rapidly increasing demand coupled with current supply chain challenges.

It is intended that Frank will revert back to being a Non-Executive Director of the Company and resume his position on the Board Committees and as Chair of the Remuneration Committee as soon as the consultancy period has ended. Joe Oatley has been re-appointed Chair of the Remuneration Committee in the interim period.

I am pleased that after a period of difficulty for the Group, we have recruited a strong new Board with very relevant experience to guide the business forward.

Our corporate governance report is set out on pages 41 to 75 and incorporates the Audit and Risk Committee report on pages 50 to 53, the Nomination Committee report on pages 54 to 56 and the Directors' remuneration report on pages 57 to 75.

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 42.

N. I. Sanders

Nick Sanders
Executive Chair

29 June 2022

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.

The Company has complied with the Code throughout the year with the exception of Code Provisions 9 (separate roles of Chair and CEO) and 21 (external Board evaluation every three years) and further details are contained within this report on pages 46 and 47.

Principle	How Carclo has applied it
Principle 01: **Board leadership and Company purpose** 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.	Read how Carclo plc has applied and discussed **Principle 01** of the corporate governance framework in the **statement of corporate governance** on **pages 46 to 49**.
Principle 02: **Division of responsibilities** Ordinarily the Board comprises two Executive Directors and three independent Non-Executive Directors ("NEDs"). The Board has an Executive Chair. The key roles and responsibilities of the members of the Board, including the division of responsibilities between the Executive Chair and Senior Independent Non-Executive Director, are discussed on page 46. As previously announced, on 6 June 2022, Frank Doorenbosch took up a temporary consultancy role for the Group and as a result is considered to be working in an executive capacity for the duration of that consultancy.	Read how Carclo plc has applied and discussed **Principle 02** of the corporate governance framework in the **statement of corporate governance** on **pages 46 to 49**.
Principle 03: **Composition succession and evaluation** 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.	Read how Carclo plc has applied and discussed **Principle 03** of the corporate governance framework in the **Nomination Committee report** on **pages 54 to 56**. Details of the methodology used in the 2021 **Evaluation of Board effectiveness** can be found on **page 56**.
Principle 04: **Audit, risk and internal control** 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 and Risk 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.	Read how Carclo plc has applied and discussed **Principle 04** of the corporate governance framework in the **Audit and Risk Committee report** on **pages 50 to 53**. **Principal risks** faced by the Company can be found on **pages 31 to 38**.
Principle 05: **Remuneration** The Remuneration Committee formally assists the Board in discharging its responsibilities in relation to Executive Director remuneration.	Read how Carclo plc has applied and discussed **Principle 05** of the corporate governance framework in the **Directors' remuneration report** on **pages 57 to 75**. The Board's **Remuneration Policy** can be found on **pages 59 to 66**.

Our Board

Key responsibilities: The Board is collectively responsible for the management of the Company. The Board's main role is to create long-term value for shareholders by providing entrepreneurial and prudent leadership of the Company. It does this by setting the Company's strategic aims and overseeing their delivery, ensuring that the necessary financial and other resources are available, and by maintaining a balanced approach to risk within a framework of effective controls.

Board Committees

Key responsibilities: The Board has established Committees which are responsible for audit, remuneration, and appointments and succession. Each Committee plays a vital role in helping the Board to ensure that high standards of corporate governance are maintained throughout the Group.

Audit and Risk Committee

Key responsibilities:
The Audit and Risk 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.

Nomination Committee

Key responsibilities:
Monitors and reviews the composition and balance of the Board and its Committees to ensure Carclo has the right structure, skills, diversity and experience in place for the effective management of the Group.

Undertakes the management of Board effectiveness reviews.

Reviews management training and succession planning in respect of the Company's senior executives.

Remuneration Committee

Key responsibilities:
Determines the remuneration for the Chair, Executive Directors and certain senior management. Oversees Carclo's overall remuneration policy, strategy and implementation including the alignment of incentives with reward and culture and taking into account employees' pay and rewards when setting the policy for Directors' remuneration.

Group Executive Committee

Key responsibilities:
The Group Executive Committee 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 purpose of the Committee is to assist the Executive Chair in the performance of his/her duties within the bounds of their authority, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- the monitoring of operating and financial performance;
- the assessment and control of risk;
- the prioritisation and allocation of resources; and
- monitoring competitive forces in each area of operation.

BOARD OF DIRECTORS

Nick Sanders
Executive Chair

Nick was appointed a Non-Executive Director and Chair-elect of the Company from 18 August 2020. On 30 September 2020, Nick was appointed as Non-Executive Chair. On 5 October 2020, Nick was appointed as Executive Chair of the Company.

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

Walker Precision Holdings Limited – Non-Executive Chairman

Committees
N

Phil White
Chief Financial Officer

Phil was appointed Chief Financial Officer on 1 March 2021.

Skills and experience
Phil is a Cambridge graduate Chartered Accountant and Chair of the Institute for Turnaround North-East region. Over three decades he has held permanent and interim CFO, FD and senior roles across listed and private companies including Mpac plc, Optare plc, UK Coal plc, the Unipart Group, gsk plc, Wella, Jacuzzi and Sheffield Forgemasters.

Joe Oatley
Senior Independent Non-Executive Director

Joe was appointed a Non-Executive Director of the Company from July 2018. He served as Chair of the Remuneration Committee from that date until April 2020. Joe served as interim Non-Executive Chair from April to September 2020 and was appointed as the Senior Independent Director on 30 September 2020. Joe was re-appointed interim Chair of the Remuneration Committee on 6 June 2022.

Skills and experience
Joe is currently also a Non-Executive Director at Wates Group Limited and Centurion Group Limited, and is a member of the Advisory Board of Buchanan. Previously he was Group Chief Executive of Cape plc, a global FTSE-listed company specialising in the provision of critical industrial services to the energy and natural resources sectors, from 2012 to 2018. Prior to joining Cape he was Chief Executive of Hamworthy plc, a global oil and gas engineering business, which he joined in 2007 and led until its takeover by Wärtsilä in 2012. Joe spent the early part of his career in the engineering sector in a broad range of roles, including Managing Director of a number of different businesses, Strategy Development and M&A.

External appointments
Wates Group Limited – Non-Executive Director

Centurion Group Limited – Non-Executive Director

Buchanan – member of Advisory Board

Committees
N R A

Eric Hutchinson
Independent Non-Executive Director

Eric was appointed a Non-Executive Director of the Company on 7 January 2021 and Chair of the Audit Committee from 1 March 2021.

Skills and experience
Following graduation Eric qualified as a Chartered Certified Accountant and spent his early career in advisory and industrial roles before joining Spirent Communication plc, the London listed Data Communications specialist. At Spirent he spent 13 years as CFO and then six years as CEO before retiring in 2020, during which time he oversaw the transformation of the business and a significant strengthening of its balance sheet. He also served as a Member of the Financial Reporting Review Panel for nine years.

Committees
A R N

Frank Doorenbosch
Consultant and Executive Director

Frank was appointed a Non-Executive Director of the Company on 1 February 2021 and Chair of the Remuneration Committee from 30 April 2021.

With effect from 6 June 2022, Frank was appointed as a consultant to the Group for a period of up to twelve months, and accordingly became an Executive Director for that period. Frank will focus on assisting the Carclo Technical Plastics division to improve its operational effectiveness in the face of rapidly increasing demand coupled with current supply chain challenges. It is intended that Frank will revert back to being a Non-Executive Director of the Company and resume his position on the Board Committees and as Chair of the Remuneration Committee as soon as the consultancy period has ended.

Skills and experience
Frank has spent nearly his whole career in the plastics industry with RPC Group plc, a leading manufacturer of film and packaging products. He has held roles in operations, finance, sales and marketing, and business improvement as well as managing operations in several locations across Europe and Asia. From 2016 to 2019 he was CEO of RPC bpi group. Frank has been instrumental in several turnarounds in the plastic packaging business sector.

External appointments
Thingtrax Limited – Non-Executive Director

Impact Recycling Limited – Non-Executive Director

Plastic Science by Design – Managing Partner

Angie Wakes
Company Secretary

Angie was appointed as Group Company Secretary in October 2019 and is a fellow of The Chartered Governance Institute. Angie has previously held a number of Deputy Company Secretary roles for listed companies.

Key:

- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- ◯ Committee Chair

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 except for Code Provisions 9 and 21, explained on page 42. 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 currently comprises the Executive Chair, the Chief Financial Officer, an Executive Director and two Non-Executive Directors.

David Toohey stepped down as a Non-Executive Director on 30 April 2021.

In accordance with the Company's articles of association and developing best governance practice, all Directors are to seek re-election on an annual basis.

The biographies of all the Directors appear on pages 44 and 45.

The Chair has primary responsibility for leading the Board and ensuring its effectiveness. He sets the Board's agenda and ensures, together with the Senior Independent Non-Executive Director, that all Directors can make an effective contribution.

Whilst the Chair is performing the role of Executive Chair, the Senior Independent Non-Executive Director assists with these responsibilities. The Executive Chair has responsibility for all operational matters and the development and implementation of Group strategy approved by the Board.

The Chair 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. Joe Oatley, as Senior Independent Non-Executive Director, is available to shareholders if they have concerns which have not been resolved through the normal channels of Executive Chair.

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

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, two Board meetings were held off site at CTP in Mitcham and Bruntons in Musselburgh. The Board intends to hold further offsite Board meetings now that travel restrictions are easing.

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.

During the year, attendance by Directors at meetings of the Board and its various Committees was as follows:

	Board meetings		Remuneration		Audit and Risk		Nomination	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
N Sanders	7	7	—	—	—	—	5	5
J Oatley	7	7	9	9	6	6	5	5
P White	7	7	—	—	—	—	—	—
E Hutchinson	7	7	9	9	6	6	5	5
F Doorenbosch	7	7	9	9	6	6	5	5
D Toohey	1	1	1	1	1	1	2	1

In addition, the Board held a further 13 ad hoc Board meetings during the year, at which not all Directors were required to be present.

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 Senior Independent Non-Executive Director 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 also 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 Senior Independent Non-Executive Director and will form the basis of Board objectives for 2022/23, including:

- continued improvement in 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;
- improving the assessment of senior leadership in the Group and development of better succession planning; and
- more interaction between Non-Executive and Executive Directors between Board meetings.

The Code requires that the Board of a FTSE 350 company or above should hold an externally facilitated evaluation at least every three years. Due to the number of changes on the Board over the period, the Board concluded that it would be preferable to carry out a comprehensive internal evaluation. Although not a requirement for a Company of this size, consideration is being given to undertaking next year's evaluation using an external consultant.

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 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 had previously adopted a process whereby each of its Non-Executive Directors was designated director to engage with the workforce at each of Carclo's largest UK operating sites and Head Office. It was not possible to undertake any further workforce meetings in the financial year due to COVID-19 restrictions. With the lifting of travel restrictions, all of the Directors intend to recommence workforce meetings and to also incorporate the overseas operating sites.

Board Committees

The Board has three Committees, Nomination, Remuneration, and Audit and Risk, 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 chairperson and members of the Committees are entitled to be present at Committee meetings, but others may attend by invitation.

Nomination Committee

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

The Committee is chaired by the Senior Independent Non-Executive Director 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 five times to discuss Board performance.

Remuneration Committee

The Company has established a Remuneration Committee consisting entirely of independent Non-Executive Directors. The Remuneration Committee met nine times during the year and was chaired by David Toohey until 30 April 2021, Frank Doorenbosch until 6 June 2022, and then by Joe Oatley.

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 57 to 75 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.

STATEMENT OF CORPORATE GOVERNANCE continued

Board Committees continued

Audit and Risk Committee

The Audit and Risk Committee comprises all the Non-Executive Directors excluding the Executive Chair and meets not less than three times annually. During the year the Committee was chaired by Eric Hutchinson, who, being a Chartered Certified Accountant and former group CFO of Spirent Communication plc and a committee member of the Financial Reporting Review Panel for nine years, 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 Executive Chair and Chief Financial Officer.

The Audit and Risk 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;
- to review 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;
- to assist 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
- to review half-year and annual accounts before their submission to the Board and review reports from the external and internal auditors.

The Audit and Risk Committee report is set out on pages 50 to 53.

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 Executive Chair and comprises the Chief Financial Officer 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 2022, 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 and Risk 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 and Risk Committee assists the Board in its duties regarding the Group's financial statements and liaises with the external auditor.

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 and Risk Committee. This process forms part of the Audit and Risk 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 and Risk 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 Executive Chair and the Non-Executive Directors are available for separate discussions if required. The Executive Chair held meetings with some 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. Regular updates are also now provided to retail investors via the Investor Meets Company platform.

Structure of the Company's capital

Details of the structure of the Company's capital are set out in the Directors' report on page 78.

By order of the Board

A. Wakes

Angie Wakes
Secretary
29 June 2022

AUDIT AND RISK COMMITTEE REPORT

Eric Hutchinson
Chair of the Audit and Risk Committee

Annual statement by the Chair of the Audit and Risk Committee

The Audit and Risk 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 and Risk 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 and Risk Committee comprises all the Non-Executive Directors excluding the Executive Chair and meets not less than three times annually. During the year in question, the Committee was chaired by Eric Hutchinson, who, being a Chartered Certified Accountant and former group CFO of Spirent Communication plc and a member of the Financial Reporting Review Panel for nine years, 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 and Risk Committee members are entitled to attend a meeting. However, the Executive Chair and Chief Financial Officer are normally invited to attend meetings.

Six 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 and Risk Committee and their effectiveness assessed through oral and written reports from both internal and external auditors.

The risk management process has been improved and no failings have been identified this year.

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 31 to 38 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 again 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 2022, 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 2021/22 financial year is included on pages 39 and 40.

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.

AUDIT AND RISK COMMITTEE REPORT continued

Significant issues related to financial statements continued

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 £181.8 million and assets of approximately £155.8 million as at 31 March 2022, resulting in a net retirement benefit obligation of £26.0 million. These numbers are sensitive to the main assumptions used to calculate the deficit or surplus on the scheme and the Audit and Risk Committee seeks confirmation that these assumptions are appropriate. The scheme introduced a right for members to Pension Increase Exchange ("PIE") at retirement in the year to 31 March 2022 via a Deed of Amendment and communication to deferred members. Having taken actuarial advice, the Executive management has exercised judgement that, similar to the Bridging Pension Option adopted last year, 40% of members will take the PIE option at retirement. This estimate impacts on the past service credit recognised as an exceptional item in the income statement. The Audit and Risk Committee bases its assurance of management's judgement of the PIE take-up percentage estimate from the actuarial advice received;
- the Group balance sheet value of goodwill. The balance of goodwill on the Group balance sheet as at 31 March 2022 is £22.0 million and the Audit and Risk Committee seeks to gain assurance through the Executive management's review of "recoverable amount" being the higher of "value in use" and "fair value less costs of disposal" as the approved and selected method in testing goodwill valuation for impairment and that there are no potential impairment or recoverability issues;
- management has considered recently acquired assets awaiting full scale production for indicators of impairment and has concluded that there is no impairment;
- revenue recognition on certain customer contracts. The Audit and Risk Committee has supported the Group management's methodology and application of revenue recognition applying IFRS 15 guidelines across its portfolio of contracts;
- valuation of investments in subsidiary undertakings in the Company balance sheet. Investments in subsidiary undertakings total £93.8 million in the Company balance sheet and the Audit and Risk Committee seeks to gain assurance through the Executive management's review of "recoverable amount" being the higher of "value in use" and "fair value less costs to sell" as the approved and selected method in testing investments in subsidiary undertakings for impairment and that there are no potential impairment or recoverability issues; and
- going concern. The Audit and Risk 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. A summary of the approach and work undertaken by management is disclosed in note 1 - basis of preparation: going concern on page 93.

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

- recognition of deferred tax assets for the Group and Company. Deferred tax assets are only recognised to the extent that it is considered there are sufficient taxable profits in the UK against which to offset future tax deductions. On this basis, deferred tax assets of £0.7 million have been recognised at 31 March 2022 (2021: £nil). The Committee agreed with this approach;
- separately disclosed items and classification of exceptional items. Certain items during the period have been either separately disclosed on the face of the income statement or presented as exceptional items as defined in the Group accounting policy. Alternative performance measures such as "underlying operating profit" and "operating profit before exceptional items" have been defined and applied to identify a clear distinction between underlying performance and financial performance after accounting for exceptional or separately disclosed items;
- classification of certain assets which are expected to be realised through a sale and leaseback arrangement and whether they meet the held for sale criteria at 31 March 2022; and
- lease break options. Judgement has been applied by management when determining the level of expected certainty that a break option within a lease will be exercised. The Audit and Risk Committee seeks to gain assurance from management's review and agrees with the judgement applied.

The Committee considered whether the 2021/22 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 and Risk 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.

The Audit Committee last initiated a tender process in December 2019.

Shareholders formally approved 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 2022 and the nature of the non-audit services provided appear in note 7 in the accounts. Non-audit fees totalled £0.035 million. No approval shall be given to any non-audit services prohibited under the amendments to the Companies Act 2006 and the FRC Revised Ethical Standard 2019.

The Committee discussed with the auditor the report of the FRC's Audit Quality Review team in respect of the audit for the year ended 31 March 2021; there were no key findings arising from that review.

Mazars LLP will be proposed for re-appointment as external auditor by shareholders at the forthcoming Annual General Meeting.

Eric Hutchinson
Chair of the Audit and Risk Committee

29 June 2022

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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 and the Executive Chair. It is currently chaired by the Senior Independent Non-Executive Director, Joe Oatley. The Committee met on five 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 Board 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 that they may have. The 2021/22 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 activities in FY22

The key deliverables of the Committee were:

- review of the structure and composition of the Board;
- the induction of the new Executive Directors and Non-Executive Directors;
- oversaw the internal Board evaluation process;
- a review of the Committee's terms of reference;
- Board succession planning;
- the review of the Nomination Committee report for inclusion in the annual report and accounts; and
- the performance evaluation of the Committee.

Review of Board structure and composition

As reported in the 2021 annual report, Carclo's Board structure has been streamlined with the removal of the role of Chief Executive and the replacement of the role of Non-Executive Chair with that of Executive Chair.

The Board believes that, given the size of the Group and that a significant majority of the Group's activities are contained within the Technical Plastics division, this structure is currently the most efficient and effective in order to deliver the Group's strategy and thus create shareholder value. In particular, this structure enables the Board members to be closer to the Group's operations and thus improve the pace and effectiveness of decision-making. The Committee concluded that having three Non-Executive Directors remained optimal with the Senior Independent Director taking on additional responsibility to provide an oversight of corporate governance.

Selection of new Directors – process

The Committee follows an established and formal process for the recruitment of new Directors, both Executive and Non-Executive. 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.

Appointment of new Non-Executive Directors

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.

David Toohey indicated his intention not to seek re-election after serving six years, and retired from the Board on 30 April 2021.

Eric Hutchinson and Frank Doorenbosch were appointed to the Board on 7 January 2021 and 1 February 2021 respectively. They bring a wealth of business and specific industry experience that is invaluable to the Group.

With effect from 6 June 2022, Frank Doorenbosch was appointed as a consultant to the Group for a period of up to twelve months, and accordingly became an Executive Director for that period. Frank will focus on assisting the Carclo Technical Plastics division to improve its operational effectiveness in the face of rapidly increasing demand coupled with current supply chain challenges. It is intended that Frank will revert back to being a Non-Executive Director of the Company and resume his position on the Board Committees and as Chair of the Remuneration Committee as soon as the consultancy period has ended. The Nomination Committee is satisfied that in the period, all Board Committees will continue to operate in accordance with the Code and to meet the requirements for a majority of independent Directors on each Committee.

Induction of new Directors

All new Directors go through a tailored induction process. It is usual process as part of a Director's induction for comprehensive site visits to be undertaken; however, this has not been possible due to COVID-19 restrictions. However, all Directors visited the CTP Mitcham (UK) site in October 2021 and Bruntons in Musselburgh (UK) site in March 2022, meeting with local management and discussing a range of matters, in particular strategy and health and safety. Nick Sanders also visited the CTP Brno (Czech Republic) and CTP Pennsylvania (US) sites in 2022, Frank Doorenbosch visited CTP Bangalore (India) in 2021, CTP Brno (Czech Republic) and some of the US sites in 2022, and Joe Oatley visited Jacottet (France) in 2021. Each of Nick Sanders, Joe Oatley and Eric Hutchinson have visited the new Head Office in the last twelve months.

NOMINATION COMMITTEE REPORT continued

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 of a FTSE 350 company or above, should consider holding an externally facilitated evaluation at least every three years. Although not a requirement for a company of Carclo's current size, consideration is being given to undertaking next year's evaluation using an external consultant. Due to the number of changes on the Board in recent years, the Board instead carried out a comprehensive internal evaluation led by the Senior Independent Director this year.

As set out in more detail in the statement of corporate governance on page 47, the review concluded that the Board has significantly improved its effectiveness, despite the challenges of the last year. There were nonetheless a number of areas for improvement. Recommendations for the future included increased focus on medium and long-term strategy, continued improvement in the information provided to the Board so it is better able to assess the Group's operational performance, building on succession planning and organisational design, and more interaction between Non-Executive and Executive Directors between Board meetings.

These will be areas of focus during the coming year. It is expected that an externally facilitated evaluation will take place in 2022/23. The review also concluded that the Nomination Committee had operated effectively.

A review of the performance of the Executive Chair and other Non-Executive Directors was also 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.

In accordance with the Code and the Company's articles of association, the Company will continue its practice to propose all Directors for annual re-election. Accordingly, all Directors will retire at the forthcoming AGM and, being eligible, will offer themselves up for re-election.

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

The 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 65.

During the year, the Senior Independent Director held a number of meetings with the other Non-Executive Directors without the Executive Chair being present, as required by provision 12 of the Code.

Diversity

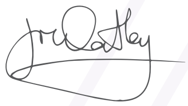
The Board recognises the importance of diversity in its broadest sense as an important element in maintaining Board effectiveness and creating competitive advantage. Diversity of skills, background, knowledge, international and industry experience, gender and ethnicity will be taken into consideration 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 2022/23

- Oversee the Board evaluation process.
- Further focus on succession planning.



Joe Oatley
Chair of the Nomination Committee

29 June 2022

DIRECTORS' REMUNERATION REPORT

Joe Oatley
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 2022.

The Report has three sections:

- this Annual Statement, which summarises and explains the major decisions and changes in respect of Directors' remuneration;
- a summary of the Directors' Remuneration Policy (the "Policy") as approved at the 2021 AGM; 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 2022 and how the Policy will be operated for the year to 31 March 2023.

The Group's targets for the financial year 2021/22 were set during the pandemic when it was assumed that the recovery from it would occur much sooner than has actually transpired. Nonetheless, the combination of the exceptional efforts of everyone across the business and the Group's exposure to medical markets which have remained relatively robust, has resulted in targets for the year being exceeded.

The Remuneration Committee (the "Committee") took this into account when making judgements as to past and future elements of remuneration.

Leadership changes

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

Frank Doorenbosch was appointed a Non-Executive Director on 1 February 2021 and took over as Remuneration Committee Chair with effect from 30 April 2021. David Toohey stepped down from the Board and as Remuneration Committee Chair on 30 April 2021.

With effect from 6 June 2022, Frank Doorenbosch was appointed as a consultant to the Group for a period of up to twelve months, and accordingly became an Executive Director for that period. Frank will focus on assisting the Carclo Technical Plastics division to improve its operational effectiveness in the face of rapidly increasing demand coupled with current supply chain challenges. It is intended that Frank will revert back to being a Non-Executive Director of the Company and resume his position on the Board Committees and as Chair of the Remuneration Committee as soon as the consultancy period has ended. I was re-appointed Chair of the Remuneration Committee for this interim period.

A summary of the principal terms of the Executive Chair and CFO's remuneration is set out on page 68.

2021/22 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. Under the terms of the Company's short-term incentive plan, P White received a bonus for the financial period 2021/22. Under the terms of his current service agreement, N Sanders is not entitled to variable remuneration.

The variable element of P White's remuneration in 2021/22 was focused on simple and transparent measures of performance against Group underlying EBITDA and working capital cash flow targets. Accordingly, this Report should be read in conjunction with the strategic report.

Salary

An internal review concluded that basic salary for Executive Directors would not be increased during the financial year 2021/22.

Annual bonus

N Sanders was not entitled to participate in the 2021/22 annual bonus scheme. P White participated in the 2021/22 annual bonus scheme and will receive a bonus for the period. 100% of the payment was set against demanding financial targets, which are set out in detail on page 69.

DIRECTORS' REMUNERATION REPORT continued

2021/22 financial year – performance and pay continued

Long Term Incentive Plan ("LTIP")

Historically, performance measures for awards made under the Carclo Performance Share Plan ("PSP") were equally weighted between EPS and TSR targets.

As detailed previously, the current PSP scheme was reviewed in 2021 and it was determined that it continued to meet the current needs of the Company. Accordingly, awards were made in 2021/22 to P White and other key executives. In line with this contract, N Sanders did not receive any award under the PSP.

The Committee determined that an absolute TSR target was a more appropriate performance measure for the 2021/22 award than relative TSR measure that had been used previously. The performance measures for the awards to vest be equally weighted between EPS and absolute TSR targets. The absolute TSR target was set at the time of award, taking into account the preceding share price and ensuring that the target is sufficiently challenging to deliver material shareholder return.

The Board is committed to a clear, focused strategy and the Company is now well placed to continue this improvement. It is unfortunate that the share price recovery in difficult market conditions has not been as planned and in line with the strategy and management improvements.

The Committee is keen to ensure that the Company is in a position to retain, recruit and motivate executives of an appropriate calibre to lead the Company through its next phase of development. The Committee has therefore conducted a review of the current PSP rules.

The Committee and Board consider that it is in the best interest of shareholders for the rewards of top executives to be aligned to the interest of shareholders. In this context, and given the Company's current market capitalisation, the Committee considers that it would be highly beneficial to remove the 5% in 10-year dilution limit which currently applies to the Company's discretionary share plans only, and to operate within the existing 10% in 10-year dilution limit for all share plans.

The Committee is not seeking to increase potential shareholder dilution overall, rather, to enable the Company to have greater flexibility within the approved 10% in 10-year dilution limit to grant share awards as part of a continuation of our remuneration policy which incentivises the long-term success of the Company. Without this flexibility, the Company will likely be hindered in any future recruitment of senior executives and may also face retention issues of its senior management.

Implementation of the Remuneration Policy for the 2022/23 financial year

The current Directors' Remuneration Policy was approved by shareholders at the 2021 AGM. In respect of the implementation of the Policy for the 2022/23 financial year, the Committee agreed that:

- there will be a basic salary level increase for P White, who is the Chief Financial Officer and an Executive Director. The Company has required N Sanders to increase his time commitment to the business and has therefore adjusted his salary so that his per diem salary remains unchanged. Basic salary level increase awards made to other employees within the Group ranged from 0% to 9%;
- there will not be an increase in the base fees for the Non-Executive Directors;
- the structure and quantum of the annual bonus for Executive Directors is considered to be broadly appropriate and aligned to shareholders' interests. For 2022/23 the annual bonus potential will continue to be based on demanding financial targets, noting that the Executive Chair is not currently entitled to participate in the Company's short-term bonus scheme; 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 absolute 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. It is proposed that LTIP grants will be made in 2022/23 with the vesting criteria anticipated to be earnings per share growth and an absolute TSR target.

The Remuneration Committee is mindful of the changes to the 2018 Code and those provisions were taken into account in the Policy approved by shareholders at the 2021 AGM. A number of those provisions have already been adopted:

- the Remuneration Committee was responsible for setting senior management pay for the 2022/23 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 implementation of a post-employment shareholding requirement;
- the Remuneration Committee already has the ability to use discretion to override formulaic outcomes; and
- any future Executive Directors which are recruited will receive a pension contribution rate in line with the UK general workforce. The current Executive Chair and Chief Financial Officer 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.

Most importantly, however, is the clear link between executive remuneration and the performance of the business as a whole. As permanent Executive Directors are now in place, the Remuneration Committee will ensure the executive remuneration "mix" is 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.

Joe Oatley
Chair of the Remuneration Committee
29 June 2022

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 2022; 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 Remuneration Policy was approved by shareholders at the 2021 AGM on 2 September 2021.

The Policy for the remuneration of the Executive and Non-Executive Directors is set out in the table below.

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 retain and attract Executive Directors of superior calibre in order to deliver earnings 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

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy continued

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

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 (not currently applicable). 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 financial performance measures for 2022/23 are underlying EBITDA and Operating Cash Flow, 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%. For 2022/23 the Group is introducing a measure of health and safety performance in addition to the financial performance measures above. 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: • 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.

Element of remuneration	Long Term Incentive Plan (awards made under the Carclo Performance Share Plan)
Purpose and link to strategy	Aligned to main strategic objectives of delivering sustainable value growth and shareholder return. To reward and retain successful leadership team, reward delivery of the Company strategy and long-term goals and to help align Executive and shareholder interests.
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: (a) if any of the audited financial results for the Company are materially misstated; (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 is measured over three years. Current performance measures are EPS and absolute 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 the Company strategy. 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: • 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.

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 general workforce.
Performance targets	N/A

DIRECTORS' REMUNERATION REPORT continued

Directors' Remuneration Policy continued

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. For as long as an Executive Director has not met the relevant share ownership guideline above, he/she will be expected to retain 50% of the post-tax number of any vested share award under PSP in the first five years of their employment and 75% thereafter until the guideline is met. Departing Executive Directors are required to hold their vested PSP shares up to 100% of salary or their actual PSP derived shareholding if lower, for two years after leaving.
Performance targets	N/A

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

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. 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 Risk 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 increases 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.

Notes to the Policy table

Performance measurement selection

The choice of underlying EBITDA and Operating Cash Flow 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. A non-financial measure (health and safety target) has recently been introduced into the annual bonus scheme.

The absolute 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.

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 2022 are set out on page 75.

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
- 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 in which 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 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.

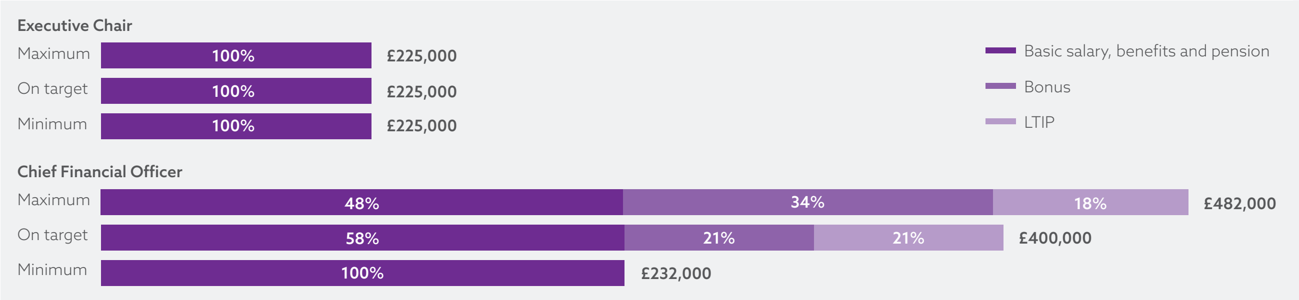
The Policy table summarises the key components of remuneration for the Non-Executive Directors.

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 2022/23 financial year, and the potential split between different elements of remuneration under three different scenarios: "Minimum", "On target" and "Maximum" performance.



Assumptions underlying each element of pay are provided in the table below. The projected value of the Carclo PSP excludes the impact of share price growth and dividend accrual. Actual pay delivered, however, will be influenced by these factors.

Minimum	Fixed pay comprising base salary, benefits and pension Base salary is the current base salary effective 1 April 2022 Benefits are the current benefits projected for the financial year ahead

Name	Base salary £000	Benefits £000	Pension £000	Total fixed £000
N Sanders[1]	225	—	—	225
P White	221	11	—	232

1. N Sanders receives a fixed salary only and is not entitled to any other benefits, bonus or LTIP.

On target	Based on remuneration if performance was in line with expectations Annual performance bonus for 40% – P White 40% of base salary LTIP consists of threshold PSP vesting (25% for both absolute TSR and EPS performance measures)
Maximum	Based on maximum remuneration receivable Annual performance bonus for 75% – P White 75% of base salary LTIP assumes maximum PSP vesting (100% for both absolute TSR and EPS performance measures)

Approach to remuneration upon recruitment

The remuneration package for any 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. Annual bonus potential will be limited to 100% of salary for the Chief Executive (not currently applicable) 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).

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 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
N Sanders	Executive Chair	5 October 2020	6 months	6 months
P White	Chief Financial Officer	1 March 2021	6 months	6 months

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 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 2022	Date of appointment	Last re-appointment at AGM
J Oatley	24 June 2021	To 2022 AGM	20 July 2018	2 September 2021
E Hutchinson	21 December 2020	To 2022 AGM	7 January 2021	2 September 2021
F Doorenbosch	11 January 2021	To 2022 AGM	1 February 2021	2 September 2021

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 24 June 2021 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 2022.

Remuneration Committee membership in 2021/22

The Remuneration Committee currently comprises of J Oatley and E Hutchinson. The Committee is currently chaired by J Oatley. D Toohey was a member and Chair of the Committee until 30 April 2021 when he stepped down from the Board. F Doorenbosch was a member and Chair of the Committee until 6 June 2022.

The Committee met nine times during the financial year ended 31 March 2022 and individual Committee members attended all meetings held during the year under review.

During the year, the Committee sought internal support from the Executive Chair and Chief Financial Officer who attended Committee meetings by invitation from the Remuneration Committee Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Executive Chair 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, the Committee undertook a selection process for new advisors. Ellason LLP were selected and provided advice from 3 December 2021. Ellason LLP has no connection with any individual Director. Prior to that, Mercer Limited provided advice.

During the year £7,200 fees were paid to Mercer Limited in respect of general advice around levels of Executive remuneration.

During the year £25,086 fees were paid to Ellason LLP 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 2020/21 remuneration report at the 2021 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	16,922,743	98.89
Against	189,462	1.11
Total votes cast (excluding withheld votes)	17,112,205	100.00
Votes withheld	4,590	
Total votes cast (including withheld votes)	17,116,795	

The following table shows the results of the shareholder vote on the Remuneration Policy at the 2021 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	16,119,471	94.26
Against	980,956	5.74
Total votes cast (excluding withheld votes)	17,100,427	100.00
Votes withheld	16,368	
Total votes cast (including withheld votes)	17,116,795	

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration continued

N Sanders – remuneration details

N Sanders was appointed as Executive Chair on 5 October 2020.

The terms of his appointment can be summarised as follows:

- annual salary of £150,000; and
- no entitlement to bonus, LTIP awards, pension contributions or other benefits.

P White – remuneration details

P White was appointed as Chief Financial Officer on 1 March 2021.

The terms of his appointment can be summarised as follows:

- annual salary of £215,000;
- annual car allowance and private medical insurance;
- no entitlement to pension contributions;
- eligible to receive a cash bonus up to 75% of salary (with payment of 33% of any bonus earned deferred by two years); and
- eligible to receive PSP awards up to 100% of salary.

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 2022 and the prior year:

Name		Salary £000	Payment for loss of office £000	Benefits[1] £000	Annual bonus £000	LTIP and other share-based payments £000	Pension[2] £000	Total fixed £000	Total variable £000	Total £000
N Sanders[3]	**2022**	**150**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**150**	**N/A**	**150**
	2021	74	N/A	N/A	N/A	N/A	N/A	74	N/A	74
P White[4]	**2022**	**215**	**N/A**	**11**	**45**	**N/A**	**N/A**	**215**	**56**	**271**
	2021	18	N/A	1	13	N/A	N/A	18	14	32
A Collins[5]	**2022**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
	2021	247	N/A	N/A	N/A	N/A	N/A	247	N/A	247
M Durkin-Jones[6]	**2022**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
	2021	167	N/A	N/A	N/A	N/A	N/A	167	N/A	167

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. N Sanders' 2021 salary relates to the period from 5 October 2020 when appointed as Executive Chair.
4. P White's 2021 salary, benefits and annual bonus relate to the period from 1 March 2021 to 31 March 2021. The salary payment of the interim Chief Financial Officer for P White from 16 December 2020 to 28 February 2021 is not included as this appointment was not a Board appointment.
5. A. Collins' 2021 salary relates to the period to 5 November 2020 when he left the Group.
6. M Durkin-Jones' 2021 salary relates to the period to 17 December 2020 when he left the Group.

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 2022 and the prior year:

	Base fee £		Committee fees £		Total £	
Non-Executive Director	**2022**	2021	**2022**	2021	**2022**	2021
J Oatley[1]	**48,000**	55,164	**N/A**	1,662	**48,000**	56,826
E Hutchinson[2]	**38,000**	8,819	**7,000**	583	**45,000**	9,402
F Doorenbosch[3]	**38,000**	6,333	**6,417**	N/A	**44,417**	6,333
P Slabbert[4]	**N/A**	34,930	**N/A**	6,477	**N/A**	41,407
D Toohey[5]	**3,167**	34,930	**583**	5,454	**3,750**	40,384
N Sanders[6]	**N/A**	5,370	**N/A**	N/A	**N/A**	5,370

1. J Oatley acted as Remuneration Committee Chair until 27 April 2020. J Oatley acted as Non-Executive Chair for the period 27 April 2020 to 30 September 2020 and as Senior Independent Director from 30 September 2020.
2. E Hutchinson was appointed as a Non-Executive Director on 7 January 2021 and assumed the role of Audit Committee Chair from 1 March 2021.
3. F Doorenbosch was appointed as a Non-Executive Director on 1 February 2021 and assumed the role of Remuneration Committee Chair from 30 April 2021.
4. P Slabbert acted as Senior Independent Director until 30 September 2021 and Audit Committee Chair until 1 March 2021. P Slabbert stood down from the Board on 31 March 2021.
5. D Toohey acted as Remuneration Committee Chair from 27 April 2020. D Toohey stood down from the Board and as Remuneration Committee Chair on 30 April 2021.
6. N Sanders acted as Non-Executive Director and Chair elect from 18 August 2020 to 30 September 2020 and acted as Non-Executive Chair from 30 September 2020 to 5 October 2020, when he was elected as Executive Chair.

Incentive outcomes for the year ended 31 March 2022 (audited)

Annual performance bonus outcome 2021/22

	Outcome % salary		Maximum potential % salary	
Name	Financial	Payable	Financial	Payable
P White	75.00	21.00	75.00	28.00

The detailed financial performance targets applicable to the 2021/22 annual bonus arrangements were as follows:

To achieve and exceed the Group's underlying EBITDA (50% weighted) and Working Capital Cash Flow targets (50% weighted).

In respect of underlying EBITDA, to achieve the minimum threshold under this financial performance target the Group was required to achieve £12,283,000. To achieve the maximum threshold the Group was required to achieve £15,515,000. The actual performance achieved against this target was £14,138,000.

Turning to working capital cash flow, to achieve the minimum threshold under this financial performance target the Group was required to achieve £277,000. To achieve the maximum threshold the Group was required to achieve £3,244,000. The actual performance achieved against this target was £(3,595,000).

Consequently 28% of the total potential annual bonus was achieved in respect of the aggregate of both financial performance targets.

P White, who participated in the 2021/22 annual bonus scheme, will receive a bonus of £45,150, 33% payment of which will be deferred for two years in accordance with the Directors' Remuneration Policy.

N Sanders did not participate in the 2021/22 annual bonus scheme.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration continued

Scheme interests awarded in the year ended 31 March 2022 (audited)

2021/22 LTIP

Executive Director	Date of grant	Shares subject to awards made during the year	Share price at date of award	Face value at date of award
P White	5 August 2021	386,778	41.6p	£160,900

Awards take the form of conditional share awards and were made to the extent of 80% of salary in respect of P White.

The extent to which awards granted in the year ending 31 March 2022 will vest is dependent on two independent performance conditions, with 50% determined by reference to the Company's absolute TSR and 50% determined by reference to the Company's EPS, as follows:

The TSR element:

The performance period is the period commencing on the grant date and ending on the vesting date, which will be the third anniversary of the grant date.

The TSR performance condition will be based on the Company's TSR as at the end of the performance period, as follows:

- if TSR is 70 pence or less, the TSR Award will not vest to any extent;
- if TSR is 90 pence or above, the TSR Award will vest in full; and
- if TSR falls between 70 pence and 90 pence, a proportion of the TSR Award will vest, calculated by straight-line apportionment.

The measurement period relates to the period of 30 days preceding the third anniversary of the grant date, using the average daily closing share price calculated from that date and ending on the last dealing day before the vesting date.

This also includes any gross dividends paid in respect of the shares between the grant date and the vesting date reinvested on the relevant payment date at the average of the high and low share prices on that date.

The EPS element:

The performance period is the period of three financial years of the Company between 1 April 2021 and 31 March 2024.

The EPS performance condition will be based on the Company's EPS for the last financial year of the performance period (the financial year ending 31 March 2024), as follows:

- if EPS is 6.0 pence or less, the EPS Award will not vest to any extent;
- if EPS is 8.0 pence or above, the EPS Award will vest in full; and
- if EPS falls between 6.0 pence and 8.0 pence, a proportion of the EPS Award will vest, calculated by straight-line apportionment.

The award to P White is conditional upon continued service, will normally vest after three years and is subject to a further two-year holding period.

Implementation of Remuneration Policy for the year ending 31 March 2023

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2023 is set out below:

Basic salary

Executive Directors' base salaries.

	2022/23	2021/22	% increase
N Sanders	£225,000	£150,000	50
P White	£221,450	£215,000	3

The Company has required N Sanders to increase his time commitment to the business and has adjusted his salary accordingly so that there is no change to his per diem salary.

Below Executive Director level, basic pay increases are limited to minimal cost of living adjustments, typically in the range 0% to 9.0%, apart from cases of local statutory requirements, promotions, increases in scope or other exceptional reasons.

Pension arrangements

N Sanders and P White do not receive employer pension contributions.

Annual bonus

Currently, the Executive Chair has no annual bonus entitlement.

In line with the Directors' Remuneration Policy it is anticipated that the maximum bonus potential for the year ending 31 March 2023 will be 75% of salary for the CFO. It is likely that all of the bonus will be based on financial measures, which will include underlying EBITDA and Operating Cash Flow measures, equally weighted. In recognition of the importance of safety to the business, the Company has included a safety performance measure for the 2022/23 financial year. The Remuneration Committee reserves 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 2023. Clawback and malus provisions will apply for all Executive Directors. Payment of 33% of any bonus earned by an Executive Director is subject to deferral for two years.

Proposed target levels have been set to be challenging relative to the 2022/23 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

N Sanders, in line with his service agreement, will not receive a grant of awards under the PSP.

In line with the Directors' Remuneration Policy it is anticipated that the value of the PSP grant to be made to the CFO for the year ending 31 March 2023 will not exceed 100% of salary. It is expected that the PSP vesting criteria will be based on the performance over the three years ended 31 March 2025 and metrics of 50% earnings per share and 50% absolute TSR.

As noted previously, following the work carried out by the Remuneration Committee in 2021/22, the Remuneration Committee has determined that the LTIP is currently fit for purpose.

The Committee believes the scheme works closely in aligning 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.

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 chairpersonship of Board Committees. A summary of current fees is shown in the table below.

Fee levels for the 2022/23 financial year can be summarised as follows:

Provision	2022/23	2021/22	% increase
Base fee	£38,000	£38,000	0
Senior Independent Director fee	£10,000	£10,000	0
Committee Chair fees	£7,000	£7,000	0

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration continued

Percentage change in Directors' remuneration

The table below shows the percentage change in each Director's salary/fees, bonus and benefits between the financial year ended 31 March 2021 and 31 March 2022 compared to that of the total amounts for all UK employees of the Group for each of these elements of pay. Disclosure for all Directors in addition to the CEO has been added in the prior year in line with the new requirements under the EU Shareholder Rights Directive II and over time a five-year comparison will be built up.

Percentage change from 2020/21 to 2021/22:

	Salary/fee	Benefits	Bonus
Executive Chair			
N Sanders	0%	N/A	N/A
Executive Directors			
P White	0%	0%	(72.0)%
Non-Executive Directors			
J Oatley	22.23%	N/A	N/A
E Hutchinson	0%	N/A	N/A
F Doorenbosch	0%	N/A	N/A
Average percentage increase for UK employees	2.9%	19.4%	(54.1)%

Percentage change from 2019/20 to 2020/21:

	Salary/fee	Benefits	Bonus
Executive Chair			
N Sanders	–	N/A	N/A
Executive Directors			
P White	–	–	–
A Collins (interim CEO)	0%	N/A	N/A
M Durkin-Jones	0%	N/A	N/A
Non-Executive Directors			
J Oatley	0%	N/A	N/A
E Hutchinson	–	N/A	N/A
F Doorenbosch	–	N/A	N/A
P Slabbert	0%	N/A	N/A
D Toohey	0%	N/A	N/A
Average percentage increase for UK employees	3.4%	0%	720%

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.

The bonus figures are for UK-based employees who participate in a bonus arrangement.

Relative importance of spend on pay

The table below shows the Group's actual expenditure on pay (for all employees) relative to retained profits for the financial years ending 31 March 2021 and 31 March 2022.

	2022 £000	2021 £000	% change
Staff costs	34,971	31,554	10.8%
Retained profit	5,799	7,412	(21.8)%

	Number	Number	% change
Number of employees	1,062	1,048	1.3%

Relative performance

The graph below compares the value of £100 invested in Carclo shares, including reinvested 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/Executive Chair)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
Chief Executive single figure of remuneration (£000)	491	249	2,764	328	538	462	836	449	325	270	321	**150**
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 Chair 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. A Collins left the Group on 5 November 2020, however acted as CEO until 5 October 2020, and N Sanders assumed the role of Executive Chair on 5 October 2020. Consequently, the full-year data for 2021 is a combination of both, reflecting the period in which N Sanders acted in the position of Executive Chair and up to and including the leaving date for A Collins.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration continued

Chief Executive/Executive Chair pay ratio reporting

Outlined below is the ratio of the Chief Executive/Executive Chair's single figure of total remuneration for 2021/22 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
2021/22	**Option A**	**7 : 1**	**6 : 1**	**4 : 1**
2020/21	Option A	15 : 1	13 : 1	8 : 1
2019/20	Option A	12 : 1	10 : 1	7 : 1

Full-year pay data for the 2021/22 financial year has been used to calculate the ratios.

In order to aid comparison between 2020/21 and 2021/22, the following table includes pay data only in respect of N Sanders as Executive Chair from the date of appointment on 5 October 2020 until 31 March 2021:

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21	Option A	7 : 1	6 : 1	4 : 1

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

	25th percentile	Median	75th percentile
Total pay and benefits	£22,655	£27,024	£41,279
Base salary	£21,357	£25,908	£38,754

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

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/Executive Chair 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 2022 were as follows:

	31 March 2021		31 March 2020	
	Ordinary shares	**Options**	Ordinary shares	Options
D Toohey[1]	**—**	**—**	—	—
J Oatley	**—**	**—**	—	—
N Sanders	**592,231**	**—**	369,356	N/A
E Hutchinson	**192,118**	**—**	192,118	N/A
F Doorenbosch	**203,958**	**—**	203,958	N/A
P White	**74,278**	**386,778**	—	N/A

1. D Toohey stepped down from the Board on 1 April 2021.

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 2022:

	Shares held					
Director	Owned outright or vested	Vested but subject to holding period	Unvested and subject to vesting conditions	Shareholding requirement (% salary)	Current shareholding (% salary)	Prior year shareholding (% salary)
N Sanders	592,231	—	—	100	106.67	40.0
P White	74,278	—	386,778	100	14.04	0.0

All of N Sanders and P White's shares owned outright are as a result of market purchases made since appointment to the Board.

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

As described above, P White was granted a conditional award of 386,778 shares on 5 August 2021 under the Carclo plc 2017 Performance Share Plan.

Approval of the Directors' remuneration report

The Directors' remuneration report set out on pages 57 to 75 was approved by the Board of Directors on 29 June 2022 and signed on its behalf by Joe Oatley, Chair of the Remuneration Committee.

Joe Oatley
Chair of the Remuneration Committee
29 June 2022

DIRECTORS' REPORT

The Directors' report is required to be produced by law. Pages 76 to 79 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 40. This report, together with the Chair's statement on pages 4 to 9, 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 31 to 38 a description of the principal risks and uncertainties facing the Group.

The Directors who served throughout the year can be found in the Chair's statement on page 6.

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 40 and the Chair's statement on pages 4 to 9 together comprise the "management report".

Statement of corporate governance

The statement of corporate governance on pages 46 to 49 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

The financial statements are prepared on the going concern basis.

Group performance during the year has enabled capital and working capital investment to be made whilst retaining a stable financial position with net debt excluding lease liabilities as of 31 March 2022 increasing to £21.5 million (2021: £20.5 million).

The debt facilities available to the Group comprise a term loan of £30.3 million, of which £1.4 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility which was fully utilised as of 31 March 2022. Both of these facilities mature on 31 July 2023.

A schedule of contributions with the pension trustees is in place through to July 2023; beyond this a schedule of contributions for £3.5 million annually is in place until 31 October 2040. This schedule is reviewed and reconsidered between the Company and the trustees at each triennial actuarial valuation, the next being after the results of the 31 March 2021 triennial valuation are known. This valuation, and accordingly an updated schedule of contributions which has been provisionally agreed, is expected to be concluded by 31 July 2022. For the purposes of this going concern review the extant schedule of contributions has been considered in the base case.

An intercreditor deed between Carclo plc, certain other Group companies, the bank and the pension scheme trustees requires the Group to have refinanced its bank debt with a maturity date not earlier than 31 March 2026 and to have agreed an updated schedule of contributions for the actuarial valuation of the scheme as at 31 March 2021 by 31 July 2022 (this date having been recently extended by one month).

The Group, the bank and the pension scheme trustees are actively engaged in negotiations over the refinancing of the bank debt beyond the current expiry date of 31 July 2023 and over the updated schedule of contributions. The parties are committed to a plan to finalise these by 31 July 2022 and the Directors have an expectation that this will be achieved.

As such the Directors' going concern assessment period is twelve months from the date of signing these financial statements.

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

It is assumed that the bank covenants and thresholds set out in the current banking agreement are in place throughout the going concern assessment period and are not amended as a result of the ongoing refinancing.

Based on our current base case forecasts, these covenant tests are expected to be met throughout the assessment period.

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 respect to the years to 31 March 2022 and 31 March 2023 the test requires any shortfall of pension deficit recovery contributions when measured against Pension Protection Fund 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 Technical Plastics and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Directors have reviewed 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 current 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.

In addition the Directors have reviewed cash flow and covenant forecasts for the same time period based on management's best estimates of the impact of the ongoing negotiations on facilities and pension contributions which includes currently uncommitted bank loan repayments and provisionally agreed additional pension deficit recovery contributions contingent on future performance. These demonstrate that the Group has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have reviewed sensitivity testing based on a number of reasonably possible scenarios, taking into account the current view of impacts of the continuing COVID-19 pandemic on the Group (particularly from supply chain disruption and any unmitigated cost inflation across all types of operational expenditure) and possible political uncertainty, including the impact of the Russian invasion of Ukraine and heightened risk of wider conflict, Brexit and other possible overseas trading issues.

Severe downside sensitivity testing has been performed under a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, delays in the timing of commencement of significant contractual projects, reduction in revenue from specific customers, minimum wage increases, and unmitigated inflationary impact across operating costs and exchange risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Directors consider that the Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditure 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.

Profits and earnings

The profit from continuing operations of the Group before taxation, after charging net interest of £3.0 million (2021: £2.7 million), amounted to £5.9 million compared with £6.7 million for the previous year. After taxation, the earnings from continuing operations per ordinary 5 pence share was a profit of 7.0 pence compared with 8.5 pence for the previous year.

Statutory profits of the Group amounted to £5.8 million compared with £7.4 million for the previous year. After taxation, the earnings from all operations per ordinary 5 pence share was a profit of 7.9 pence compared with 10.1 pence for the previous year.

Dividend

In accordance with the provisions of the refinancing agreement signed in August 2020, the business is not currently permitted to pay dividends. The Board is therefore not recommending the payment of a dividend for 2021/22 (2020/21: £nil).

Post balance sheet events

On 29 April 2022, subsequent to the balance sheet date, the Group entered into a sale and leaseback agreement for a Technical Plastics manufacturing site at Tucson, Arizona, USA. The transaction is expected to complete in July 2022 for a purchase price of $2.95 million less costs of $0.2 million. A lease term of nine years has been agreed and grants the Group the right to cancel any time after three years, provided twelve months' notice is given. At 31 March 2022 there is no reasonable certainty that the Group will exercise the break clause. The Group expects to recognise a profit on disposal in respect of the site of £0.6 million in the year ending 31 March 2023.

DIRECTORS' REPORT continued

Share capital

At 31 March 2022, 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 27 to the accounts. The information in note 27 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 2021 Annual General Meeting (the "2021 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 2021 AGM). This authority is due to lapse at the Annual General Meeting in 2022 (the "2022 AGM").

At the 2021 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 2021 AGM) and to purchase up to 10% of the Company's issued ordinary shares in the market.

All of the above share capital authority resolutions will be proposed for renewal of authority at the 2022 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 each 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.

In line with the Company's articles of association and the UK Corporate Governance Code, all Directors retired and presented themselves for re-election at the 2021 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 29. 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 20. 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 pages 24 and 25. 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 14 and 15. 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 9. 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 2021/22 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 2022 and 29 June 2022:

	As at 29 June 2022	As at 31 March 2022
Schroder Investment Management Limited	**12.0%**	12.0%
Janus Henderson Investors	**9.8%**	9.8%
Lakestreet Capital Partners AG	**Below 3%**	Below 3%

Directors and Directors' interests

The Directors at the date of this Directors' report are listed on pages 44 and 45. David Toohey stepped down as a Non-Executive Director on 30 April 2021.

No other person served as a Director of the Company at any time during the financial year.

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 57 to 75.

Biographies of Directors

The biographies of Directors required to be disclosed in this Directors' report are set out on pages 44 and 45. 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

A. Wakes

Angie Wakes
Secretary

29 June 2022

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 pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("Adopted IFRSs") 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 finance 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 44 and 45, 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

N. I. Sanders

Nick Sanders
Executive Chair

29 June 2022

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 2022 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 UK-adopted international accounting standards. 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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice as applied in accordance with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group and the Parent 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 going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In addition to those matters set out in the "Key audit matters" section below, we identified going concern of the Group and of the Parent Company as a key audit matter.

The Group and the Parent Company have previously been loss making and are dependent on debt facilities from its bank, which have a number of financial covenants and expire in July 2023. The directors and management team are currently discussing and undertaking a process with the bank (and Trustees of the pension scheme) to agree new debt facilities beyond July 2023. The global COVID-19 pandemic and wider global economic conditions also continue to have an impact on the Group's operations and results. Therefore, there is a risk that the going concern basis of preparation is not appropriate for the financial statements and we have identified going concern as a key audit matter.

The Group's accounting policy in respect of going concern is set out in note 1 'Basis of preparation' on page 93. Going concern has also been identified as a key judgement in note 2 on page 101.

Our audit procedures to evaluate the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group's and Parent Company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described in note 1, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included considering mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Engaging in regular discussions with the directors regarding the status of negotiations in respect of refinancing options;
- Engaging in discussions with the bank to discuss and understand the status and progress on the refinancing;
- Assessing and challenging key assumptions and mitigating actions put in place in response to COVID-19 and wider global economic conditions;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Examining the facility headroom on the debt facilities and evaluating whether the directors' conclusion that liquidity headroom remains in all scenarios modelled by them is reasonable;
- Reviewing the financial covenants and pension covenant associated with the debt facilities and checking the calculation of the covenants and projected compliance; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Conclusions relating to going concern continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to Carclo plc's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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 key observations arising from those procedures. The matters set out below are in addition to going concern which, as set out in the "Conclusions relating to going concern" section above, was also identified as a key audit matter.

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

<table>
<tr><th>Key audit matter</th><th>How our scope addressed this matter</th></tr>
<tr><td>

Revenue recognition (Group)

The Group's accounting policy in respect of revenue recognition is set out in note 1(j) 'Revenue recognition' on page 96. Revenue recognition on tooling contracts has also been identified as a key judgement in note 2 on page 102. Revenue recognised on tooling contracts in the year is £25.1m as set out in note 6 on page 107.

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:

- In relation to tooling revenue:
  - tooling revenue may not be recognised on an appropriate basis and in line with the terms of underlying contracts or agreements with customers; and
  - any contract modifications or amendments may not be accounted for on an appropriate basis, including in line with the requirements of IFRS 15.
- 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 services or products have been provided to customers.

As revenue is a key benchmark in a user's assessment of the performance of the Group and given the judgement involved in determining the amount of revenue to be recognised on tooling contracts, we have identified revenue recognition as a key audit matter.

</td><td>

Our response

Our audit procedures included, but were not limited to:

- in relation to tooling revenue:
  - reviewing the basis of revenue recognition on tooling contracts, including management's assessment of the performance obligations and the amount of revenue recognised with reference to underlying documentation;
  - reviewing contract modifications and the associated accounting treatment for changes in contract revenue;
- 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 in accordance with our instructions.

Our observations

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

</td></tr>
</table>

Key Audit Matter	How our scope addressed this matter
Valuation and impairment of intangible assets (Group) Included on the Consolidated Statement of Financial Position on page 90 is £22.7m of intangible assets, of which £22m relates to goodwill allocated to the Technical Plastics cash generating unit (CGU). The Group's accounting policies in respect of goodwill are set out in note 1(c) 'Goodwill' on page 95 and note 1(v) 'Impairment' on page 100. Impairment of goodwill has also been identified as a key judgement in note 2 on page 101. 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 CGU to which the goodwill has been allocated and comparing it against its carrying value, with any impairment loss first allocated to reduce the carrying value of the goodwill and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis. As disclosed in note 15 on page 114, the recoverable amount is based on a calculation of value in use. The calculation of value in use is subjective and involves significant judgement and estimation, including cash flow projections and discount rates. Therefore, there is a risk that the assumptions used in the calculation of value in use are not appropriate, resulting in an overstatement of the recoverable amount of the CGU and an unrecognised impairment of intangible assets. Accordingly, we identified the valuation and impairment of intangible assets as a key audit matter.	**Our response** Our audit procedures included, but were not limited to: • obtaining and reviewing management's impairment review; • 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 calculation of value in use; • considering the appropriateness of the key assumptions used in the calculation of value in use, being the cash flow projections, estimated growth rates and discount rates. This included engaging an internal expert to evaluate the discount rates applied by management; • reviewing the sensitivity analysis performed by management in their assessment; and • assessing whether the relevant disclosures in the financial statements are reasonable. **Our observations** Based on the audit procedures outlined above, we consider that the valuation of intangible assets, including goodwill allocated to the Technical Plastics CGU, is reasonable and that management's conclusion that there is no impairment of the intangible assets is reasonable.
Valuation and impairment of investment in subsidiaries (Parent Company) The carrying value of investments in subsidiary undertakings on the Company Balance Sheet on page 140 is £93.8m. As set out in the accounting policy in note 35(d) on page 144, investments are held at cost less provisions for impairment where appropriate. 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. As set out in note 39 on page 146, value in use models have been used by management to assess the recoverable amount of investments in the material trading subsidiaries. The calculation of value in use is subjective and involves significant judgement and estimation, including in relation to projected cash flows and discount rates. As a result of the factors outlined above, as well as the significance of this balance in respect of the Parent Company financial statements, we identified the valuation and impairment of subsidiaries as a key audit matter.	**Our response** Our audit procedures included, but were not limited to: • obtaining and reviewing management's impairment reviews; • reviewing the underlying assumptions used in the impairment reviews and assessing whether 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); and • assessing whether the relevant disclosures in the financial statements are reasonable. **Our observations** Based on the audit procedures outlined above, we consider that the valuation of investments in subsidiaries is reasonable, and that management's conclusion that there is no impairment of the investment in subsidiaries balance is reasonable.

Our application of materiality and an overview of the scope of our audit

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 materiality

Overall materiality	**£1,116k**
How we determined it	We determined overall materiality to be 1% of the Group's revenue.
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 other measures. For example, profit/loss before taxation fluctuates and has been significantly impacted by a number of one-off items such as restructuring that have taken place over the last few years.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected 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 third year of our audit engagement, we set performance materiality at £669k which is 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £33k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The range of overall materiality across components, audited to the lower of statutory audit materiality and materiality capped for Group audit purposes, was between £150k and £850k, being all below Group overall materiality.

Parent Company materiality

Overall materiality	**£127k**
How we determined it	We determined overall materiality to be 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	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the Parent Company's control environment and that it is the third year of our audit engagement, we set performance materiality at £76k which is 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £3k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we 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 environment, 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 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 nine reporting components, seven 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.

In addition to the Parent Company financial statements, which were subject to full scope audit, the components within the scope of our audit work accounted for the following percentages of the Group's results:

	Number of components	Total Group revenue	Group profit before tax	Total Group assets
Full scope	8	91%	66%	91%
Risk based audit procedures	2	9%	34%	9%
Total	**9**	**100%**	**100%**	**100%**

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 to carry out audit procedures in relation to components not based in the UK, covering the US, China, India, France and the Czech Republic. The instructions covered 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 audit team discussed the audit strategy and the findings reported to the Group audit team by the component auditors, 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

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 their 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.

Matters on which we are required to report by exception continued

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.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Carclo plc's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 80;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate set out on pages 39 and 40;
- Directors' statement on fair, balanced and understandable set out on page 80;
- Board's confirmation that it has carried out a robust assessment of the e-merging and principal risks set out on pages 31 to 38;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 48; and;
- The section describing the work of the Audit Committee set out on pages 50 to 53.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 80, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the Parent Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-bribery, corruption and fraud, anti-money laundering regulation, modern slavery, GDPR and non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the Parent Company, the industry in which they operate, and the structure of the Group, and considering the risk of acts by the Group and the Parent Company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Group and the Parent Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements such as tax legislation, pension legislation, the Companies Act 2006 and breaches of regulatory requirement of the FCA.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off, accuracy and occurrence assertions), and significant one-off or unusual transactions.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks 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.

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

A further description of our responsibilities is available 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. The period of total uninterrupted engagement is three years, covering the years ending 31 March 2020 to 31 March 2022.

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.

Gavin Barclay (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

30 Old Bailey
London
EC4M 7AU

29 June 2022

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Continuing operations:			
Revenue	6	**128,576**	107,564
Underlying operating profit		**6,096**	4,840
COVID-related US government grant income	10	**2,087**	—
Operating profit before exceptional items		**8,183**	4,840
Exceptional items	9	**721**	4,490
Operating profit	3, 7	**8,904**	9,330
Finance revenue	11	**77**	42
Finance expense	11	**(3,066)**	(2,701)
Profit before tax		**5,915**	6,671
Income tax expense	12	**(809)**	(457)
Profit after tax but before profit on discontinued operations		**5,106**	6,214
Discontinued operations:			
Profit on discontinued operations, net of tax	4	**693**	1,198
Profit for the period		**5,799**	7,412
Attributable to:			
Equity holders of the Company		**5,799**	7,412
Non-controlling interests		**—**	—
		5,799	7,412
Earnings per ordinary share	13		
Basic – continuing operations		**7.0p**	8.5p
Basic – discontinued operations		**0.9p**	1.6p
Basic		**7.9p**	10.1p
Diluted – continuing operations		**6.9p**	8.5p
Diluted – discontinued operations		**0.9p**	1.6p
Diluted		**7.9p**	10.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	2022 £000	2021 £000
Profit for the period	**5,799**	7,412
Other comprehensive income/(expense)		
Items that will not be reclassified to the income statement		
Remeasurement gains/(losses) on defined benefit scheme	**8,480**	(6,540)
Deferred tax arising	**–**	–
Total items that will not be reclassified to the income statement	**8,480**	(6,540)
Items that are or may in future be classified to the income statement		
Foreign exchange translation differences	**1,840**	(2,939)
Net investment hedge	**440**	1,084
Deferred tax arising	**(127)**	137
Total items that are or may in future be classified to the income statement	**2,153**	(1,718)
Other comprehensive income/(expense), net of tax	**10,633**	(8,258)
Total comprehensive income/(expense) for the year	**16,432**	(846)
Attributable to:		
Equity holders of the Company	**16,432**	(846)
Non-controlling interests	**–**	–
Total comprehensive expense for the period	**16,432**	(846)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Intangible assets	15	**22,714**	21,848
Property, plant and equipment	16	**46,964**	43,218
Deferred tax assets	23	**1,403**	384
Trade and other receivables	19	**115**	112
Total non-current assets		**71,196**	65,562
Current assets			
Inventories	17	**16,987**	12,821
Contract assets	18	**7,700**	2,898
Trade and other receivables	19	**19,702**	19,254
Cash and cash deposits	20	**12,347**	15,485
Non-current assets classified as held for sale	21	**266**	—
Total current assets		**57,002**	50,458
Total assets		**128,198**	116,020
Non-current liabilities			
Loans and borrowings	22	**41,804**	37,997
Deferred tax liabilities	23	**4,878**	4,393
Contract liabilities	6	**3,099**	866
Retirement benefit obligations	24	**25,979**	37,275
Total non-current liabilities		**75,760**	80,531
Current liabilities			
Loans and borrowings	22	**2,948**	5,084
Trade and other payables	26	**21,062**	17,016
Current tax liabilities		**170**	17
Contract liabilities	6	**3,755**	5,461
Provisions	25	**87**	—
Total current liabilities		**28,022**	27,578
Total liabilities		**103,782**	108,109
Net assets		**24,416**	7,911
Equity			
Ordinary share capital issued	27	**3,671**	3,671
Share premium		**7,359**	7,359
Translation reserve	28	**7,486**	5,333
Retained earnings	28	**5,926**	(8,426)
Total equity attributable to equity holders of the Company		**24,442**	7,937
Non-controlling interests		**(26)**	(26)
Total equity		**24,416**	7,911

Approved by the Board of Directors on 29 June 2022 and signed on its behalf by:

Nick Sanders
Director

Phil White
Director

Registered Number 196249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Attributable to equity holders of the Company						
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
Balance at 1 April 2020	3,671	7,359	7,051	(9,324)	8,757	(26)	8,731
Profit for the year	–	–	–	7,412	7,412	–	7,412
Other comprehensive income/(expense):							
Foreign exchange translation differences	–	–	(2,939)	–	(2,939)	–	(2,939)
Net investment hedge	–	–	1,084	–	1,084	–	1,084
Remeasurement losses on defined benefit scheme	–	–	–	(6,540)	(6,540)	–	(6,540)
Taxation on items above	–	–	137	–	137	–	137
Total comprehensive income/(expense) for the period	–	–	(1,718)	872	(846)	–	(846)
Transactions with owners recorded directly in equity:							
Share-based payments	–	–	–	26	26	–	26
Taxation on items recorded directly in equity	–	–	–	–	–	–	–
Balance at 31 March 2021	3,671	7,359	5,333	(8,426)	7,937	(26)	7,911
Balance at 1 April 2021	**3,671**	**7,359**	**5,333**	**(8,426)**	**7,937**	**(26)**	**7,911**
Profit for the year	**–**	**–**	**–**	**5,799**	**5,799**	**–**	**5,799**
Other comprehensive income/(expense):							
Foreign exchange translation differences	**–**	**–**	**1,840**	**–**	**1,840**	**–**	**1,840**
Net investment hedge	**–**	**–**	**440**	**–**	**440**	**–**	**440**
Remeasurement gains on defined benefit scheme	**–**	**–**	**–**	**8,480**	**8,480**	**–**	**8,480**
Taxation on items above	**–**	**–**	**(127)**	**–**	**(127)**	**–**	**(127)**
Total comprehensive income for the period	**–**	**–**	**2,153**	**14,279**	**16,432**	**–**	**16,432**
Transactions with owners recorded directly in equity:							
Share-based payments	**–**	**–**	**–**	**73**	**73**	**–**	**73**
Taxation on items recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2022	**3,671**	**7,359**	**7,486**	**5,926**	**24,442**	**(26)**	**24,416**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Cash generated from operations	30	**6,780**	11,202
Interest paid		**(2,502)**	(1,782)
Tax paid		**(1,309)**	(1,023)
Net cash from operating activities		**2,969**	8,397
Cash flows used in investing activities			
Proceeds from sale of business		**693**	1,250
Proceeds from sale of property, plant and equipment		**20**	21
Interest received		**77**	42
Purchase of property, plant and equipment		**(4,804)**	(7,180)
Purchase of intangible assets – computer software		**(135)**	(139)
Net cash used in investing activities		**(4,149)**	(6,006)
Cash flows (used in)/from financing activities	22		
Drawings on existing and new facilities		**1,575**	38,697
Transaction costs associated with the issue of debt		**—**	(380)
Proceeds from sale and leaseback of property, plant and equipment		**1,410**	—
Repayment of borrowings excluding lease liabilities		**(2,282)**	(31,666)
Repayment of lease liabilities		**(3,196)**	(1,601)
Net cash (used in)/from financing activities		**(2,493)**	5,050
Net (decrease)/increase in cash and cash equivalents		**(3,673)**	7,441
Cash and cash equivalents at beginning of period		**15,485**	8,352
Effect of exchange rate fluctuations on cash held		**535**	(308)
Cash and cash equivalents at end of period		**12,347**	15,485
Cash and cash equivalents comprise:			
Cash and cash deposits		**12,347**	15,485
		12,347	15,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2022

1. Basis of preparation
The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 140 to 150. The presentational currency of these financial statements is GBP, with amounts presented in round thousands, except where otherwise stated.

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.

Group performance during the year has enabled capital and working capital investment to be made whilst retaining a stable financial position with net debt excluding lease liabilities as of 31 March 2022 increasing to £21.5 million (2021: £20.5 million).

The debt facilities available to the Group comprise a term loan of £30.3 million, of which £1.4 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility which was fully utilised as of 31 March 2022. Both of these facilities mature on 31 July 2023.

A schedule of contributions with the pension trustees is in place through to July 2023; beyond this a schedule of contributions for £3.5 million annually is in place until 31 October 2040. This schedule is reviewed and reconsidered between the Company and the trustees at each triennial actuarial valuation, the next being after the results of the 31 March 2021 triennial valuation are known. This valuation, and accordingly an updated schedule of contributions which has been provisionally agreed, is expected to be concluded by 31 July 2022. For the purposes of this going concern review the extant schedule of contributions has been considered in the base case.

An intercreditor deed between Carclo plc, certain other Group companies, the bank and the pension scheme trustees requires the Group to have refinanced its bank debt with a maturity date not earlier than 31 March 2026 and to have agreed an updated schedule of contributions for the actuarial valuation of the scheme as at 31 March 2021 by 31 July 2022 (this date having been recently extended by one month).

The Group, the bank and the pension scheme trustees are actively engaged in negotiations over the refinancing of the bank debt beyond the current expiry date of 31 July 2023 and over the updated schedule of contributions. The parties are committed to a plan to finalise these by 31 July 2022 and the Directors have an expectation that this will be achieved.

As such the Directors' going concern assessment period is twelve months from the date of signing these financial statements.

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.

It is assumed that the bank covenants and thresholds set out in the current banking agreement are in place throughout the going concern assessment period and are not amended as a result of the ongoing refinancing.

Based on our current base case forecasts, these covenant tests are expected to be met throughout the assessment period.

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 respect to the years to 31 March 2022 and 31 March 2023 the test requires any shortfall of pension deficit recovery contributions when measured against Pension Protection Fund 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 Technical Plastics and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Directors have reviewed 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 current 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.

In addition the Directors have reviewed cash flow and covenant forecasts for the same time period based on management's best estimates of the impact of the ongoing negotiations on facilities and pension contributions which includes currently uncommitted bank loan repayments and provisionally agreed additional pension deficit recovery contributions contingent on future performance. These demonstrate that the Group has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have reviewed sensitivity testing based on a number of reasonably possible scenarios, taking into account the current view of impacts of the continuing COVID-19 pandemic on the Group (particularly from supply chain disruption and any unmitigated cost inflation across all types of operational expenditure) and possible political uncertainty, including the impact of the Russian invasion of Ukraine and heightened risk of wider conflict, Brexit and other possible overseas trading issues.

1. Basis of preparation continued

Going concern continued

Severe downside sensitivity testing has been performed under a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, delays in the timing of commencement of significant contractual projects, reduction in revenue from specific customers, minimum wage increases, unmitigated inflationary impact across operating costs and exchange risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Directors consider that the Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditure 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.

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 2021. 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 2021:

- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Amendment): Interest Rate Benchmark Reform – Phase 2; and
- IFRS 16 Leases (Amendment): COVID-19 related rent concessions beyond 30 June 2021.

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

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 2022.

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

- IAS 16 Property, Plant and Equipment (Amendment): Proceeds before intended use (effective date 1 January 2022);
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment): Onerous contracts – Costs of Fulfilling a Contract (effective date 1 January 2022);
- IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework (effective date 1 January 2022);
- Annual Improvements to IFRSs (2018-2020 cycle) (effective date 1 January 2022);
- IAS 1 Presentation of Financial Statements (Amendment): Classification of liabilities as current or non-current – deferral of effective date (effective date 1 January 2023);
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Material Judgements (Amendment): Disclosure of accounting policies (effective date 1 January 2023);
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of accounting estimates (effective date 1 January 2023); and
- IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023).

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

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, share options and defined benefit pension plan assets 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 consolidated income statement up to, or from, the date control passes. Intra-group transactions, balances 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.

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

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.

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 standalone 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2022

1. Basis of preparation continued

Accounting policies continued

g) Leases continued

As a lessee continued

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 the type of 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 leases office and IT equipment with contract terms typically between one and ten years. The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases with a duration of less than one year. The Group recognises the lease payments associated with these leases in the income statement, as an expense on a straight-line basis over the lease term.

h) Borrowings

The Group measures all debt instruments (whether financial assets or liabilities) initially at fair value, which equates to the principal value of the consideration paid or received. Subsequent to initial measurement, debt instruments are measured at amortised cost using the effective interest method. Transaction costs (any such costs incremental and directly attributable to the issue of the financial instrument) are included in the calculation of the effective interest rate and are amortised over the life of the instrument.

Debt instruments denominated in foreign currencies are revalued using period end exchange rates, see accounting policy t) v) for the Group hedge accounting policy.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

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 6.

To determine whether to recognise revenue, the Group follows the five-step process as prescribed in IFRS 15:

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.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative standalone selling prices, or, in the absence of a standalone 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 6). 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.

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.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet unless they are part of the net overdraft facility which has a £nil net limit, in which case they are offset against cash.

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.

Companies within the Group may be entitled to claim special tax deductions in relation to qualifying expenditure (e.g. Research and Development). The Group accounts for such allowances as tax credits, which means that the allowance reduces the tax payable and current tax expense.

1. Basis of preparation continued

Accounting policies continued

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.

In the year to 31 March 2022, members of the Carclo Group Pension Scheme were offered the right to take a Pension Increase Exchange. This option enables members to exchange certain future pension increases in retirement for a one-off uplift. Refer to note 24 for more information.

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 24.

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.

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.

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 impairment 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.

1. Basis of preparation continued

Accounting policies continued

u) Share-based payments

The Group issues awards structured as equity-settled share-based payments and cash-settled share-based payments to certain employees in exchange for services rendered by them. The fair value of the equity-settled share-based award is calculated at date of grant and is expensed on a straight-line basis over the vesting period with a corresponding increase in equity. The fair value of the cash-settled award is calculated at date of grant and recognised as an expense over the vesting period based upon the cash expected to be paid. The fair value of cash-settled share-based payments is recalculated at each reporting date and the accrual revised accordingly. Both valuations are based on the Group's estimate of share awards that will eventually vest and take 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; and
- 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.

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: rationalisation, restructuring and refinancing of the Group, costs of impairment, 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. Provisions totalling £0.087 million have been recognised at 31 March 2022 (2021: £nil); further details can be found in note 25.

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 remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is first 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.

aa) Government grants

Once there is reasonable assurance that the Group will comply with any conditions attached to an income-based government grant, such grants are recognised in the income statement over the period in which the related costs are recognised as an expense. They are presented by deducting the grant income from the related expense unless by virtue of size or incidence separate disclosure is required.

ab) Current versus non-current disclosure

Current liabilities are those which are due to be settled within twelve months of the reporting date, or where the Group does not have an unconditional right to defer for at least twelve months after the reporting date. All other liabilities are classified as non-current.

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 and Risk 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 judgements

Management has exercised judgement over the likelihood of the Group being 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 assets

Notes 15 and 16 contain information about management's estimates of the recoverable amount of cash generating units and their risk factors.

Key judgements

Management has exercised judgement over the underlying assumptions within the valuation models and has applied judgement to determine the Group's cash generating units to which goodwill is allocated and against which impairment testing is performed. These are key factors in their assessment of whether there is any impairment in related goodwill or other assets.

Recently acquired assets awaiting full scale production have been considered for indicators of impairment. Judgement has been applied when considering volumes and timing of orders.

2. Accounting estimates and judgements continued

Impairment of assets continued

Key sources of estimation uncertainty

The Group tests whether goodwill has suffered any impairment and considers whether there is any indication of impairment on an annual basis. Goodwill at 31 March 2022 amounts to £22.0 million (2021: £21.1 million). As set out in more detail in note 15, the recoverable amounts may be based on either value in use calculations or fair value less costs of disposal calculations. The former 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 latter method requires the estimation of fair value.

Details of the sensitivity of assumptions are included in note 15.

Pension assumptions

Note 24 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. The pension liability at 31 March 2022 amounts to £26.0 million (2021: £37.3 million).

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.

The scheme introduced a right for members to Pension Increase Exchange ("PIE") at retirement in the year to 31 March 2022 via a Deed of Amendment and communication to deferred members. Having taken actuarial advice, the Executive management has exercised judgement that, similar to the Bridging Pension Option adopted last year, 40% of members will take the PIE option at retirement. This estimate impacts on the past service credit recognised as an exceptional item in the income statement.

Lease break options

Note 5 contains information about lease break options.

Key judgements

Management has applied judgement when determining the expected certainty that a break option within a lease will be exercised. Note 5 details the amount by which lease liabilities would decrease if the Group were to exercise break options that at 31 March 2022 management are reasonably certain will not be exercised.

Revenue recognition

As revenue from tooling 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

The revenue recognised on certain contracts in the Technical Plastics segment required management to use judgement to apportion contract revenue to the tooling performance obligations.

Key sources of estimation uncertainty

Revenue recognised on certain contracts in the 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 this basis management believes it is appropriate to recognise deferred tax assets and at 31 March 2022 UK deferred tax assets of £0.7 million have been recognised (31 March 2021: £nil).

Classification of exceptional items

Note 9 contains information about items classified as exceptional.

Key judgements

Management has exercised judgement over whether items are exceptional as set out in the Group's accounting policy – see note 1 w).

Non-current assets held for sale

Key judgements

Note 21 contains information about assets classified as held for sale.

Management has applied judgement in determining that a sale and leaseback of one of the Technical Plastics sites was highly probably at 31 March 2022 and as such has classified the proportion in respect to the disposed useful economic life as non-current assets held for sale at the balance sheet date.

3. Segment reporting

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

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

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

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

The LED Technologies segment presented as a discontinued operation was a leader in the development of high-power LED lighting for the premium automotive industry and was disposed of in the year to 31 March 2020. Since its disposal, further proceeds have been received from the administrators of Wipac Limited (this year and prior), which are disclosed as profit on disposal of discontinued operations below – see note 4.

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.

Analysis by business segment

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

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

3. Segment reporting continued

Analysis by business segment continued

The segment results for the year ended 31 March 2021 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	102,473	5,091	—	107,564	—	107,564
Less inter-segment revenue	—	—	—	—	—	—
Total external revenue	102,473	5,091	—	107,564	—	107,564
Expenses	(93,256)	(4,541)	(4,927)	(102,724)	—	(102,724)
Underlying operating profit/(loss)	9,217	550	(4,927)	4,840	—	4,840
Exceptional operating items	—	—	4,490	4,490	(52)	4,438
Operating profit/(loss)	9,217	550	(437)	9,330	(52)	9,278
Net finance expense				(2,659)	—	(2,659)
Income tax expense				(457)	—	(457)
Profit/(loss) from operating activities after tax				6,214	(52)	6,162
Profit on disposal of discontinued operations, net of tax				—	1,250	1,250
Profit for the period				6,214	1,198	7,412
Consolidated statement of financial position						
Segment assets	109,217	6,073	730	116,020	—	116,020
Segment liabilities	(33,951)	(832)	(73,326)	(108,109)	—	(108,109)
Net assets	75,266	5,241	(72,596)	7,911	—	7,911
Other segmental information						
Capital expenditure on property, plant and equipment	10,128	208	38	10,374	—	10,374
Capital expenditure on computer software	3	—	136	139	—	139
Depreciation	5,492	250	32	5,774	—	5,774
Impairment of property, plant and equipment	—	(13)	—	(13)	—	(13)
Amortisation of computer software	57	—	96	153	—	153
Amortisation of other intangibles	53	—	—	53	—	53

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	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
United Kingdom	**12,632**	12,413	**(29,367)**	(41,577)	**1,651**	6,006
North America	**65,296**	50,814	**27,267**	25,173	**6,918**	3,720
Rest of world	**50,648**	44,337	**26,516**	24,315	**1,274**	787
	128,576	107,564	**24,416**	7,911	**9,843**	10,513

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 £25.979 million (2021: net liabilities of £37.275 million), and net borrowings of £36.134 million (2021: £34.017 million).

One Technical Plastics customer accounted for 37.8% (2021: 24.5%) and another customer for 10.4% of Group revenues from continuing operations and similar proportions of trade receivables.

No other customer accounted for more than 10.0% of revenues from continuing operations in the year.

Deferred tax assets by geographical location are as follows: United Kingdom £0.952 million (2021: £nil), North America £0.288 million (2021: £0.277 million), rest of world £0.163 million (2021: £0.107 million).

Total non-current assets by geographical location are as follows: United Kingdom £24.159 million (2021: £23.096 million), North America £28.142 million (2021: £24.212 million), rest of world £18.895 million (2021: £18.254 million).

4. Discontinued operation

Whilst there were no new discontinued operations in the year ended 31 March 2022 or in the prior year comparative, on 5 May 2021 and 6 August 2021, proceeds of £0.2 million and £0.3 million respectively were received from the administrators of Wipac Ltd which was part of the LED Technologies segment that was classified as discontinued in the year to 31 March 2020 (31 March 2021: £1.3 million). The proceeds were received by the Group's lending bank, HSBC, and used to prepay the Group's term loan.

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

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

Management does not expect to receive any further proceeds from the administrators of Wipac Ltd nor other proceeds from the disposal of the LED Technologies segment.

5. Leases

The Group's leases are principally for warehouse and manufacturing facilities with a small number of vehicles and other plant and machinery.

Information about leases for which the Group is a lessee is presented below.

Amounts recognised in the statement of financial position

i) Right-of-use assets

All right-of-use assets are included in property, plant and equipment (see note 16).

	Land and buildings £000	Plant and equipment £000	Total £000
Balance at 1 April 2020	4,839	280	5,119
Depreciation charge for the year	(1,322)	(260)	(1,582)
Additions to right-of-use assets	2,950	819	3,769
Derecognition of right-of-use assets	(148)	—	(148)
Effect of movements in foreign exchange	(167)	(3)	(170)
Balance at 31 March 2021	6,152	836	6,988
Depreciation charge for the year	**(1,877)**	**(405)**	**(2,282)**
Additions to right-of-use assets	**2,255**	**4,563**	**6,818**
Effect of movements in foreign exchange	**157**	**32**	**189**
Balance at 31 March 2022	**6,687**	**5,026**	**11,713**

Additions to right-of-use assets during the twelve months ended 31 March 2022 include £1.410 million in respect of sale and leaseback plant and equipment.

ii) Lease liabilities

Lease liabilities have been presented as loans and borrowings (see note 22).

Amounts recognised in the income statement

	2022 £000	2021 £000
Interest on lease liabilities	**527**	210
Expenses relating to short-term leases	**13**	42
Depreciation and impairment expense on leases	**2,282**	1,582

Amounts recognised in consolidated statement of cash flows

	2022 £000	2021 £000
Total cash outflow for leases	**(3,736)**	(1,853)

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 £1.3 million (2021: £2.8 million).

6. 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, diagnostics, optical and electronics products. Technical Plastics revenues comprise two typical project types: manufacturing and tooling.

Manufacturing

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. Depending on the contract, each of these three elements of the tooling process may be deemed a distinct performance obligation under IFRS 15, or a single performance obligation, as contracts with customers may include one or more elements of the tooling process.

The majority of tooling performance obligations are satisfied over time, either on input methods (passage of time or costs to complete) or output methods (milestones achieved). These methods recognise revenue on a basis that is representative of the enhancement of the tool and therefore satisfaction of the performance obligation.

Some Technical Plastics contracts include both tooling and manufacturing performance obligations.

ii) 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 operations					
	Technical Plastics 2022 £000	Technical Plastics 2021 £000	**Aerospace 2022 £000**	Aerospace 2021 £000	**Group total 2022 £000**	Group total 2021 £000
Major products/service lines						
Manufacturing	**98,734**	88,210	**4,707**	5,091	**103,441**	93,301
Tooling	**25,135**	14,263	**—**	—	**25,135**	14,263
	123,869	102,473	**4,707**	5,091	**128,576**	107,564
Timing of revenue recognition						
Products transferred at a point in time	**98,872**	88,210	**4,707**	5,091	**103,579**	93,301
Products and services transferred over time	**24,997**	14,263	**—**	—	**24,997**	14,263
	123,869	102,473	**4,707**	5,091	**128,576**	107,564

Refer to note 3 for information on reliance on major customers.

c) Contract balances

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	2022 £000	2021 £000
Trade receivables (see note 19)	**14,792**	15,496
Contract assets (see note 18)	**7,700**	2,898
Contract liabilities	**(6,854)**	(6,327)
	15,638	12,067

Contract assets have increased at 31 March 2022 due to a significant medical tooling project which is ongoing at the period end.

6. Revenue from contracts with customers continued

c) Contract balances continued

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 liabilities relate to the advance consideration received from customers before the related revenue has been recognised; this applies to tooling contracts in Technical Plastics.

The following table provides information about revenue recognised in the current period that was included in the contract liability balance at the beginning of the period:

	2022 £000	2021 £000
Revenue recognised	**6,138**	1,607

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 recognised

	2023 £000	2024 £000	2025 £000	2026 £000
Tooling – Technical Plastics	9,473	1,937	1,571	93

7. Operating profit

Operating profit from continuing operations is arrived at as follows:

	2022 £000	2021 £000
Revenue	**128,576**	107,564
(Increase)/decrease in stocks of finished goods and work in progress	**(924)**	2,006
Raw materials and consumables	**59,629**	46,946
Personnel expenses (see note 8)	**34,971**	31,554
Impairment loss on trade and other receivables, including contract assets	**2**	14
Amortisation of intangible assets	**203**	206
Depreciation of property, plant and equipment	**6,825**	5,774
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**163**	171
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**87**	124
Audit-related assurance services	**35**	32
Total auditor's remuneration	**285**	327
Exceptional items:		
Rationalisation costs (see note 9)	**133**	1,968
Past service credit in respect of retirement benefits (see note 24)	**(854)**	(6,458)
Total exceptional items	**(721)**	(4,490)
COVID-related US government grant income	**(2,087)**	—
Foreign exchange losses	**217**	745
Pension scheme administration costs	**1,000**	1,117
Other operating charges	**20,272**	14,035
	119,672	98,234
Operating profit	**8,904**	9,330

Exceptional rationalisation costs include £0.211 million (2021: £0.447 million) of pension scheme administration costs.

8. Personnel expenses

	2022 £000	2021 £000
Wages and salaries	**29,941**	26,951
Social security contributions	**3,712**	3,563
Charge in respect of defined contribution and other pension plans	**1,247**	1,039
Share-based payments (see note 27)	**71**	1
	34,971	31,554
Exceptional credit regarding past service costs (see notes 9, 24)	**(854)**	(6,458)
	34,117	25,096

Directors' remuneration and emoluments, which are included in this analysis, are described in the Directors' remuneration report on pages 57 to 75.

No options vested under the PSP scheme during the year or during the comparative period, therefore there were no gains made by the Directors to disclose.

The average monthly number of persons employed by the Group during the year was as follows:

	2022 Number of employees	2021 Number of employees
By segment		
Central	**18**	20
Technical Plastics	**993**	967
Aerospace	**51**	61
	1,062	1,048
By geographic location		
United Kingdom	**332**	306
North America	**384**	378
Rest of world	**346**	364
	1,062	1,048

9. Exceptional items

	2022 £000	2021 £000
Continuing operations		
Rationalisation costs	**(133)**	(1,968)
Gain in respect of retirement benefits – see note 24	**854**	6,458
	721	4,490
Discontinued operations		
Rationalisation costs	**–**	(52)
Profit on disposal of discontinued operations – see note 4	**693**	1,250
	693	1,198
	1,414	5,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2022

9. Exceptional items continued

The revenue and cost impacts of the COVID-19 pandemic are so pervasive and difficult to identify that they cannot be readily separated and quantified from the ongoing trading of the Group. As a result, consistent with the results reported in the financial statements for the year ended 31 March 2021, neither COVID-19-related costs nor credits arising from government assistance have been presented as exceptional items in the consolidated income statement for the year ending 31 March 2022.

Rationalisation costs from continuing operations during the period relate to the restructuring and refinancing of the Group. These include £0.1 million credit in respect to legal and professional accruals released (2021: £1.3 million costs), £0.1 million for consultants' fees (2021: £0.1 million) and £0.2 million exceptional pension scheme administration costs (2021: £0.5 million).

The gain in respect to retirement benefits is a past service credit for the impact of introducing a Pension Increase Exchange option to members (2021: past service credit in respect to the introduction of a bridging pension option, partly offset by a past service cost relating to GMP equalisation). See note 24 for more information.

The profit on disposal of discontinued operations of £0.7 million (2021: £1.3 million) is proceeds received in the current year from the administrators of Wipac Limited. See note 4.

10. Government support for COVID-19

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

The governmental support utilised during the period was:

	2022 £000	2021 £000
Grants – used to offset labour and variable costs, included within operating expenses	**2,157**	747
Loans – presented in loans and borrowings	**–**	2,104
Payment deferrals – presented in trade and other payables	**–**	68

In April 2020, the Group received a loan under the Payback Protection Program, underwritten by the US government in support of COVID-19 for $2.9 million, presented as loans and borrowings in the prior year comparatives. On 5 May 2021, notice of forgiveness of the loan was received from the Small Business Administration, resulting in its conversion from a loan to a grant and therefore its release to the consolidated income statement. In the year ended 31 March 2022, the full amount has been recognised within operating profit in the income statement as a credit to offset labour and variable COVID-19-related costs incurred to date.

The credit of £2.1 million, recognised in respect to this COVID-19-related government grant, has been presented separately on the face of the consolidated income statement for the year ended 31 March 2022 for clarity due to its value and nature.

11. Finance revenue and expense

	2022 £000	2021 £000
Finance revenue comprises:		
Interest receivable on cash at bank	**77**	42
Finance revenue	**77**	42
Finance expense comprises:		
Bank loans and overdrafts	**(1,794)**	(1,559)
Lease interest	**(527)**	(210)
Other	**(18)**	(90)
Net interest on the net defined benefit liability	**(727)**	(842)
Finance expense	**(3,066)**	(2,701)

12. Income tax expense

The expense recognised in the consolidated income statement comprises:

	2022 £000	2021 £000
United Kingdom corporation tax		
Corporation tax on losses for the current year	**–**	308
Adjustments for prior years	**(14)**	–
Overseas taxation		
Current tax	**(1,266)**	(564)
Adjustments for prior years	**(190)**	(37)
Total current tax net expense	**(1,470)**	(293)
Deferred tax expense		
Origination and reversal of temporary differences:		
Deferred tax	**629**	(80)
Adjustments for prior years	**32**	(84)
Total deferred tax credit/(charge) – see note 23	**661**	(164)
Total income tax expense recognised in the consolidated income statement	**(809)**	(457)

Reconciliation of tax expense for the year

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2022		2021	
	£000	%	£000	%
Profit before tax	**6,608**		7,869	
Income tax using standard rate of UK corporation tax of 19% (2021: 19%)	**1,256**	**19.0**	1,495	19.0
Other items not deductible for tax purposes	**267**	**4.0**	99	1.3
R&D tax relief	**(22)**	**(0.3)**	(26)	(0.3)
Income not taxable	**(603)**	**(9.1)**	(456)	(5.8)
Adjustments in respect of overseas tax rates	**273**	**4.1**	62	0.8
Recognition of deferred tax asset previously unrecognised	**(657)**	**(9.9)**	–	–
Release of tax provisions	**–**	**–**	(308)	(3.9)
Other temporary differences	**(412)**	**(6.2)**	(650)	(8.3)
Adjustment to current tax in respect of prior periods (UK and overseas)	**204**	**3.1**	37	0.5
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**(32)**	**(0.5)**	84	1.1
Foreign taxes expensed in the UK	**535**	**8.1**	120	1.5
Total income tax expense	**809**	**12.2**	457	5.8

Tax on items charged outside of the consolidated income statement

	2022 £000	2021 £000
Recognised in other comprehensive income:		
Foreign exchange movements	**127**	(137)
Total income tax charged/(credited) to other comprehensive income	**127**	(137)

13. Earnings per share

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

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

	2022 £000	2021 £000
Profit after tax but before profit on discontinued operations	**5,106**	6,214
Profit attributable to non-controlling interests	**—**	—
Profit attributable to ordinary shareholders from continuing operations	**5,106**	6,214
Profit on discontinued operations, net of tax	**693**	1,198
Profit after tax, attributable to equity holders of the parent	**5,799**	7,412

	2022 Shares	2021 Shares
Weighted average number of ordinary shares in the year	**73,419,193**	73,419,193
Effect of share options in issue	**324,977**	15,974
Weighted average number of ordinary shares (diluted) in the year	**73,744,170**	73,435,167

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 separately disclosed one-off items 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:

	2022 £000	2021 £000
Profit after tax, attributable to equity holders of the parent	**5,799**	7,412
Continuing operations:		
Exceptional – Rationalisation and restructuring costs, net of tax	**133**	1,968
Exceptional – Gain in respect of retirement benefits, net of tax	**(854)**	(6,458)
COVID-related US government grant income, net of tax	**(2,087)**	—
Discontinued operations:		
Exceptional – Rationalisation and restructuring costs, net of tax	**—**	52
Exceptional – Gain on disposal of discontinued operations, net of tax	**(693)**	(1,250)
Underlying profit attributable to equity holders of the parent	**2,298**	1,724
COVID-related US government grant income, net of tax	**2,087**	—
Profit after tax but before exceptional items, attributable to equity holders of the parent	**4,385**	1,724
Underlying operating profit – continuing operations	**6,096**	4,840
Finance revenue – continuing operations	**77**	42
Finance expense – continuing operations	**(3,066)**	(2,701)
Income tax expense – continuing operations	**(809)**	(457)
Underlying profit attributable to equity holders of the parent – continuing operations	**2,298**	1,724
COVID-related US government grant income, net of tax	**2,087**	—
Profit after tax but before exceptional items – continuing operations	**4,385**	1,724

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

	2022 Pence	2021 Pence
Basic earnings per share – continuing operations	**7.0**	8.5
Basic earnings per share – discontinued operations	**0.9**	1.6
Basic earnings per share	**7.9**	10.1
Diluted earnings per share – continuing operations	**6.9**	8.5
Diluted earnings per share – discontinued operations	**0.9**	1.6
Diluted earnings per share	**7.9**	10.1
Underlying earnings per share – basic – continuing operations	**3.1**	2.4
Underlying earnings per share – basic – discontinued operations	**—**	—
Underlying earnings per share – basic	**3.1**	2.4
Underlying earnings per share – diluted – continuing operations	**3.1**	2.4
Underlying earnings per share – diluted – discontinued operations	**—**	—
Underlying earnings per share – diluted	**3.1**	2.4
Earnings per share before exceptional items – basic – continuing operations	**6.0**	2.4
Earnings per share before exceptional items – basic – discontinued operations	**—**	—
Earnings per share before exceptional items – basic	**6.0**	2.4
Earnings per share before exceptional items – diluted – continuing operations	**6.0**	2.4
Earnings per share before exceptional items – diluted – discontinued operations	**—**	—
Earnings per share before exceptional items – diluted	**6.0**	2.4

14. Dividends paid and proposed

The Directors are not proposing a final dividend for the year ended 31 March 2022 (2021: £nil). Under the terms of the restructuring agreement entered into on 14 August 2020, the Group is not permitted to make a dividend payment to shareholders up to the period ending in July 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2022

15. Intangible assets

	Goodwill £000	Patents and development costs £000	Customer-related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 31 March 2020	24,127	16,734	583	1,664	43,108
Additions	—	—	—	139	139
Disposals	—	—	—	(11)	(11)
Effect of movements in foreign exchange	(1,719)	—	(56)	(51)	(1,826)
Balance at 31 March 2021	22,408	16,734	527	1,741	41,410
Additions	**—**	**—**	**—**	**135**	**135**
Effect of movements in foreign exchange	**686**	**—**	**26**	**23**	**735**
Balance at 31 March 2022	**23,094**	**16,734**	**553**	**1,899**	**42,280**
Amortisation					
Balance at 31 March 2020	2,165	16,734	202	1,127	20,228
Amortisation for the year	—	—	53	153	206
Disposals	—	—	—	(6)	(6)
Effect of movements in foreign exchange	(822)	—	(20)	(24)	(866)
Balance at 31 March 2021	1,343	16,734	235	1,250	19,562
Amortisation for the year	**—**	**—**	**67**	**136**	**203**
Effect of movements in foreign exchange	**(213)**	**—**	**—**	**14**	**(199)**
Balance at 31 March 2022	**1,130**	**16,734**	**302**	**1,400**	**19,566**
Carrying amounts					
At 1 April 2020	21,962	—	381	537	22,880
At 31 March 2021	21,065	—	292	491	21,848
At 31 March 2022	**21,964**	**—**	**251**	**499**	**22,714**

The Group has incurred research and development costs of £0.2 million (2021: £0.1 million) which have been included within operating expenses in the income statement.

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 goodwill is allocated to the Group's principal CGUs, being the operating segments described in the operating segment descriptions in note 3.

The carrying value of goodwill at 31 March 2022 and 31 March 2021 is allocated wholly to the Technical Plastics cash generating unit as follows:

The following cash generating units have significant carrying amounts of goodwill post impairment:

	2022 £000	2021 £000
Technical Plastics	**21,964**	21,065

At 31 March 2022, the recoverable amount of the Technical Plastics cash generating unit was determined on a calculation of value in use, being the higher of that and fair value less costs of disposal "FVLCD". The results of each produced the same answer, that there is no impairment of goodwill.

The value in use calculations use cash flow projections based upon financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using estimated growth rates of between 2.3% and 4.2% (2021: 1.5% and 4.6%) depending upon the market served.

The cash flows were discounted at pre-tax rates in the range 6.1%-8.7% (2021: 4.9%-8.4%). These rates are calculated and reviewed annually and are based on the Group's weighted average cost of capital. Changes in income and expenditure are based on expectations of future changes in the market. Sensitivity testing of the recoverable amount to reasonably possible changes in key assumptions has been performed, including changes in the discount rate and changes in forecast cash flows.

All other assumptions unchanged, a 6.6% (2021: 7.8%) increase in the discount rate increasing the range to 12.7% -15.3% (2021: 12.6%-16.1%), or a 45% (2021: 47%) decrease in underlying EBIT would reduce the headroom on the Technical Plastics CGU to £nil. Should the discount rate increase further than this or the profitability decrease further, then an impairment of the goodwill would be likely.

16. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2020	33,180	65,467	98,647
Additions	5,011	5,363	10,374
Disposals	(148)	(1,195)	(1,343)
Effect of movements in foreign exchange	(1,597)	(1,976)	(3,573)
Balance at 31 March 2021	36,446	67,659	104,105
Additions	**5,792**	**3,916**	**9,708**
Disposals	**(3)**	**(1,087)**	**(1,090)**
Reclassification to assets held for sale	**(608)**	**—**	**(608)**
Effect of movements in foreign exchange	**1,296**	**1,639**	**2,935**
Balance at 31 March 2022	**42,923**	**72,127**	**115,050**
Depreciation and impairment losses			
Balance at 31 March 2020	10,980	47,272	58,252
Depreciation charge for the year	2,508	3,266	5,774
Disposals	—	(1,150)	(1,150)
Impairment	—	(13)	(13)
Effect of movements in foreign exchange	(640)	(1,336)	(1,976)
Balance at 31 March 2021	12,848	48,039	60,887
Depreciation charge for the year	**3,338**	**3,487**	**6,825**
Disposals	**(2)**	**(1,068)**	**(1,070)**
Reclassification to assets held for sale	**(342)**	**—**	**(342)**
Effect of movements in foreign exchange	**621**	**1,165**	**1,786**
Balance at 31 March 2022	**16,463**	**51,623**	**68,086**
Carrying amounts			
At 1 April 2020	22,200	18,195	40,395
At 31 March 2021	23,598	19,620	43,218
At 31 March 2022	**26,460**	**20,504**	**46,964**

At 31 March 2022, properties with a carrying amount of £2.69 million were subject to a registered charge in favour of the Group pension scheme (2021: £2.75 million) capped at £5.1 million.

Property, plant and equipment includes right-of-use assets as set out in note 5.

Land and buildings with a carrying value of £0.3 million have been reclassified to assets held for sale as set out in note 21.

The impact of the global pandemic, and as a result the downturn in air travel, has been particularly hard on the Aerospace segment and the division saw an adverse effect on its customer base which in the prior year was deemed by management to be an indication of impairment. Following a result largely in line with budget for the year to 31 March 2022 and trading and order book strong in the period subsequent to the balance sheet date, management no longer believe this to be the case.

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17. Inventories

	2022 £000	2021 £000
Raw materials and consumables	**9,460**	6,218
Work in progress	**329**	319
Finished goods	**7,198**	6,284
	16,987	12,821

The value of inventories is stated after impairment for obsolescence and write downs to net realisable value of £0.858 million (2021: £1.043 million).

18. Contract assets

	2022 £000	2021 £000
Contract assets – see note 6	**7,700**	2,898

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 (2021: £nil).

Against an opening contract asset balance of £2.898 million at 31 March 2021, invoicing of £2.862 million during the year to 31 March 2022 indicates that the contract asset has been mostly recovered during the period.

19. Trade and other receivables

	2022 £000	2021 £000
Amounts due within one year		
Trade receivables	**14,836**	15,512
Less impairment provisions	**(44)**	(16)
	14,792	15,496
Prepayments	**2,454**	1,361
Other debtors	**2,456**	2,397
Trade and other receivables – due within one year	**19,702**	19,254
Amounts due after one year		
Other debtors and prepayments	**115**	112
Trade and other receivables – due after one year	**115**	112

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 of COVID-19 on credit risk.

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 2022 was determined as follows for trade receivables:

	2022			2021		
	Gross carrying amount £000	**Loss allowance £000**	**Expected loss rate %**	Gross carrying amount £000	Loss allowance £000	Expected loss rate %
Not past due	**13,626**	**—**	**0.0%**	13,413	—	0.0%
Past due 0 – 30 days	**1,090**	**—**	**0.0%**	1,973	—	0.0%
Past due 31 – 60 days	**55**	**—**	**0.0%**	50	—	0.0%
Past due 61 – 120 days	**21**	**—**	**0.0%**	58	—	0.0%
More than 120 days	**44**	**44**	**100.0%**	18	16	88.9%
	14,836	**44**	**0.3%**	15,512	16	0.1%

The movement in the allowance for impairment in respect of trade receivables and contract assets during the period was as follows:

	2022 £000	2021 £000
Balance at 1 April	**16**	16
Amounts written off	**(2)**	—
Net measurement of loss allowance	**30**	—
Balance at 31 March	**44**	16

20. Cash and cash deposits

	2022 £000	2021 £000
Cash at bank and in hand	**12,347**	15,485

At 31 March 2022 Carclo plc's overdraft of £2.4 million (2021: £4.6 million) has been recognised within cash and cash deposits when consolidated due to a right of set-off under a UK net overdraft arrangement

21. Non-current assets classified as held for sale

	2022 £000	2021 £000
Land and buildings held for sale	**266**	—
Net assets held for sale	**266**	—

At 31 March 2022, the Group is close to finalising an agreement with a buyer for the sale and leaseback of a Technical Plastics manufacturing site at Tucson, Arizona, USA. The carrying amount of the property at 31 March 2022 is £0.6 million, however only the proportion relating to the disposed useful life has been classified as held for sale at year end. £0.4 million, being the proportion expected to be recognised as a right-of-use asset on completion, continues to be disclosed as a non-current asset within property, plant and equipment at 31 March 2022.

On 29 April 2022, subsequent to the balance sheet date, the Group entered into a sale and leaseback agreement for the Tucson site. See note 34 for further details.

22. Loans and borrowings

	2022 £000	2021 £000
Current		
Bank loans:		
Term loan	**1,331**	1,473
Lease liabilities:		
Land and buildings	**988**	1,291
Plant and equipment	**559**	176
Other loans:		
Government COVID-19 support loans	**–**	2,104
Other loans	**70**	40
	2,948	5,084
Non-current		
Bank loans repayable between one and two years:		
Term loan	**28,929**	1,273
Revolving credit facility	**3,500**	–
Bank loans repayable between two and five years:		
Term loan	**–**	29,066
Revolving credit facility	**–**	2,000
Lease liabilities:		
Land and buildings	**5,957**	4,880
Plant and equipment	**3,366**	708
Other loans:		
Other loans repayable between one and two years	**43**	42
Other loans repayable between two and five years	**9**	28
	41,804	37,997
Total loans and borrowings	**44,752**	43,081

The Group has a UK multi-currency net overdraft facility with a £nil net limit and a £12.5 million gross limit agreed as part of the refinancing arrangement signed on 14 August 2020. The overdrafts bear interest at between 2.0% and 4.5% above prevailing UK bank base rates. At 31 March 2022, Carclo plc's overdraft of £2.4 million (2021: £4.6 million) has been recognised within cash and cash deposits when consolidated due to a right of set-off.

The debt facilities available to the Group comprise a term loan of £30.3 million, of which £1.4 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility which was fully utilised as of 31 March 2022. Both of these facilities mature on 31 July 2023.

The term loans are denominated as follows: sterling 19.5 million, US dollar 13.3 million and euro 4.9 million. £1.4 million of the sterling facility will be amortised by 30 September 2022 with the balance on this and the two foreign currency facilities payable at termination on 31 July 2023. Carclo Plc is required, per the agreement, to prepay borrowings of amounts equal to excess cash arising from disposal, intercompany and insurance proceeds. During the year to 31 March 2022, proceeds amounting to £0.6 million were received from the Administrators of Wipac Ltd by HSBC and were used to prepay the term loan. In addition to this, a further £1.6 million of scheduled prepayments were made by the Company to further reduce the loan during the period.

Bank loans incur interest at between 1.9% and 4.5% above prevailing bank base rates.

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 respect to the years to 31 March 2022 and 31 March 2023 the test requires any shortfall of pension deficit recovery contributions when measured against Pension Protection Fund 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 Technical Plastics and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Group has complied with the financial covenants of its borrowing facilities during the financial reporting period.

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

Bank loans include £33.8 million (2021: £33.8 million) secured on the assets of the Group. 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.

As part of the debt restructuring which concluded on 14 August 2020, security was granted by certain Group companies to the bank such that at 31 March 2022 the gross value of the assets secured, which includes applicable intra-group balances, goodwill and investments in subsidiaries at net book value in the relevant component companies' accounts, but which eliminate in the Group upon consolidation, amounted to £248.2 million (2021: £251.2 million). Excluding the assets which eliminate in the Group upon consolidation the value of the security was £31.1 million (2021: £32.8 million).

22. Loans and borrowings continued

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

	Bank overdrafts used for cash management purposes £000	Term loan £000	Government COVID-19 support loan £000	Revolving credit facility £000	Lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2020	10,957	—	—	30,442	5,250	17	46,666
Changes from financing cash flows							
Drawings on new facilities	—	34,354	2,243	2,000	—	100	38,697
Transaction costs associated with the issue of debt	—	(380)	—	—	—	—	(380)
Repayment of borrowings	—	(1,589)	—	(30,071)	(1,601)	(6)	(33,267)
	—	32,385	2,243	(28,071)	(1,601)	94	5,050
Effect of changes in foreign exchange rates	—	(657)	(139)	(371)	(215)	(1)	(1,383)
Liability-related other changes							
Changes in bank overdraft	2,184	—	—	—	—	—	2,184
Drawing on new facilities	—	—	—	—	3,769	—	3,769
Termination of facilities	(13,193)	—	—	—	(148)	—	(13,341)
Interest expense	61	84	—	—	—	—	145
Interest receivable	(9)	—	—	—	—	—	(9)
	(10,957)	84	—	—	3,621	—	(7,252)
Equity-related other changes	—	—	—	—	—	—	—
Balance at 31 March 2021	—	31,812	2,104	2,000	7,055	110	43,081
Changes from financing cash flows							
Drawings on new facilities	**—**	**—**	**—**	**1,500**	**—**	**75**	**1,575**
Repayment of borrowings	**—**	**(2,218)**	**—**	**—**	**(3,195)**	**(64)**	**(5,477)**
	—	**(2,218)**	**—**	**1,500**	**(3,195)**	**11**	**(3,902)**
Effect of changes in foreign exchange rates	**—**	**440**	**(17)**	**—**	**192**	**1**	**616**
Liability-related other changes							
Drawings on new facilities	**—**	**—**	**—**	**—**	**6,818**	**—**	**6,818**
Conversion of loan to a grant (see note 10)	**—**	**—**	**(2,087)**	**—**	**—**	**—**	**(2,087)**
Interest expense	**—**	**226**	**—**	**—**	**—**	**—**	**226**
	—	**226**	**(2,087)**	**—**	**6,818**	**—**	**4,957**
Equity-related other changes	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at 31 March 2022	**—**	**30,260**	**—**	**3,500**	**10,870**	**122**	**44,752**

23. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2022 £000	2021 £000
Assets:		
Property, plant and equipment	**283**	—
Short-term timing differences	**250**	252
Tax losses	**870**	132
Deferred tax assets	**1,403**	384
Liabilities:		
Intangible assets	**(2,622)**	(2,516)
Property, plant and equipment	**(1,546)**	(1,400)
Short-term timing differences	**(317)**	(284)
Foreign tax on undistributed foreign profits	**(393)**	(193)
Deferred tax liabilities	**(4,878)**	(4,393)
Net deferred tax liability	**(3,475)**	(4,009)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2022 £000	2021 £000
Tax losses – trading	**3,770**	5,174
Tax losses – capital	**50**	529
Tax losses – non-trading	**1,494**	35
Property, plant and equipment	**2,185**	702
Short-term timing differences	**12**	62
Employee benefits	**6,333**	7,086
	13,844	13,588

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. An increase in deferred tax losses recognised as a deferred tax asset as at 31 March 2022 is based upon the latest approved business plan and profitability levels therein. Capital losses will be recognised at the point when a transaction gives rise to an offsetable capital gain. This was not the case at 31 March 2022. Similarly, non-trading losses will only be utilised against future non-trading profits. No such, non-trading profits are foreseen at 31 March 2022.

£0.2 million of the tax losses recognised at 31 March 2022 (2021: £0.1 million) are time restricted to five years, the remainder are available to carry forward without time restriction.

At 31 March 2022, £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 (2021: £0.2 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 £0.4 million of additional tax would be payable (2021: £0.6 million).

Deferred tax assets and liabilities at 31 March 2022 have been calculated based on the rates substantively enacted at the balance sheet date.

A change to the main UK corporation tax rate, set out in the Finance Bill 2021, was substantively enacted on 24 May 2021, with the main rate of corporation tax to become 25% from 1 April 2023.

23. Deferred tax assets and liabilities continued

Reconciliation of movement in recognised deferred tax assets

	Balance as at 1 Apr 21 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 22 £000**
Property, plant and equipment	(1,400)	**203**	**(66)**	**(1,263)**
Intangible assets	(2,516)	**(37)**	**(69)**	**(2,622)**
Short-term timing differences	(32)	**(33)**	**(2)**	**(67)**
Tax losses	132	**728**	**10**	**870**
Foreign tax on undistributed foreign profits	(193)	**(200)**	**—**	**(393)**
	(4,009)	**661**	**(127)**	**(3,475)**

	Balance as at 1 Apr 20 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 21 £000
Property, plant and equipment	(1,271)	(304)	175	(1,400)
Intangible assets	(2,654)	—	138	(2,516)
Short-term timing differences	8	(38)	(2)	(32)
Tax losses	165	(29)	(4)	132
Foreign tax on undistributed foreign profits	(400)	207	—	(193)
	(4,152)	(164)	307	(4,009)

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 2,662 current and past employees as at 31 March 2022.

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 at least one-third of all trustees should be nominated by the members. The trustees currently comprise two Company-nominated trustees (of which one is an independent professional trustee and one is the independent professional Chairperson) as well as two member-nominated trustees. 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. During the year to 31 March 2022, the Scheme introduced a Pension Increase Exchange option ("PIE"), see below for further details. 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 section is closed to new entrants, who now have the option of entering into a separate defined contribution scheme, and the Group has elected to cease future accrual for existing members of the defined benefit section 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 under IAS 19 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 2018 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 2018 actuarial valuation showed a deficit of £90.4 million. Under the recovery plan agreed with the trustees following the 2018 valuation, the Group agreed that it would aim to eliminate the deficit over a period of 19 years 9 months from 1 February 2021, which is by 31 October 2040, by the payment of annual contributions combined with the assumed asset returns in excess of gilt yields. Contributions paid in the year to 31 March 2021 amounted to £2.8 million, £3.9 million during the year to 31 March 2022 and are agreed as £3.8 million in the year ending March 2023. These contributions include an allowance of £0.6 million p.a. in respect of the expenses of running the Scheme and the Pension Protection Fund ("PPF") levy.

Beyond 2023, a schedule of contributions for £3.5 million annually is in place until 31 October 2040, but is reviewed and reconsidered between the employer and the trustees at each triennial actuarial valuation; the next review being no later than by 31 July 2022 after the results of the 31 March 2021 triennial valuation are known.

On 14 August 2020 additional security was granted by certain Group companies to the Scheme trustees such that at 31 March 2022 the gross value of the assets secured, which includes applicable intra-group balances, goodwill and investments in subsidiaries at net book value in the relevant component companies' accounts, but which eliminate in the Group upon consolidation, amounted to £248.2 million (2021: £251.2 million). Excluding the assets which eliminate in the Group upon consolidation the value of the security was £36.3 million (2021: £37.9 million).

For the purposes of IAS 19, the 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 2022. 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 statement of financial 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. A number of the investment managers operate tactical investment management of the plan assets. The Scheme currently invests approximately 56% in liability-driven investments, 42% of its asset value in a portfolio of diversified growth funds and 2% in cash and liquidity funds.
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 96% of the Scheme's funded liabilities are currently hedged against interest rates using liability-driven investments. 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.

24. Retirement benefit obligations continued

Risk	Description	Mitigation
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 statement of financial position in respect of the defined benefit scheme were as follows:

	2022 £000	2021 £000
Present value of funded obligations	(181,759)	(204,654)
Fair value of scheme assets	155,780	167,379
Recognised liability for defined benefit obligations	**(25,979)**	(37,275)

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 statement of financial position 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 remeasurement 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 £40.856 million.

IFRIC 14 has no effect on the figures disclosed because the Company has an unconditional right to a refund under the resulting trust principle.

Movements in the net liability for defined benefit obligations recognised in the consolidated statement of financial position:

	2022 £000	2021 £000
Net liability for defined benefit obligations at the start of the year	(37,275)	(37,620)
Contributions paid	3,900	2,834
Net (expense)/credit recognised in the consolidated income statement (see below)	(1,084)	4,052
Remeasurement gains/(losses) recognised in other comprehensive income	8,480	(6,541)
Net liability for defined benefit obligations at the end of the year	**(25,979)**	(37,275)

Movements in the present value of defined benefit obligations:

	2022 £000	2021 £000
Defined benefit obligation at the start of the year	**204,654**	210,386
Interest expense	**3,986**	4,730
Actuarial gains due to changes in demographic assumptions	**(1,767)**	(6,727)
Actuarial (gains)/losses due to changes in financial assumptions	**(13,476)**	12,280
Benefits paid	**(10,784)**	(9,557)
Past service credit (see note 9)	**(854)**	(6,458)
Defined benefit obligation at the end of the year	**181,759**	204,654

With the exception of that described below, there have been no plan amendments, curtailments or settlements during the period.

The Scheme introduced a Pension Increase Exchange ("PIE") option at retirement during the year. A Deed of Amendment, signed 16 March 2022, created the right for deferred members to take a PIE at retirement. A member announcement was issued to all deferred members at the end of March 2022.

The Deed of Amendment also created the right for members to receive PIE on terms such that 20% of the PIE value is retained within the Scheme. Based upon the assumption that 40% of members will opt for PIE at retirement, this resulted in a reduction in the current value of accrued liabilities and, as a result, a past service credit has been recognised in the income statement of £0.9 million, presented within exceptional items. A Bridging Pension Option was introduced in the prior year with similar assumptions made. A past service credit was recognised in the year ended 31 March 2021 in the income statement of £6.689 million and presented as exceptional items.

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).

The trustees commissioned scheme-specific calculations to determine the likely impact of the ruling on the Scheme. An allowance for the impact of GMP equalisation was included within the 31 March 2019 accounting figures, increasing liabilities by 1.68%; a resulting past service cost of £3.559 million was recognised in the income statement at that time. The Scheme has not yet implemented GMP equalisation and therefore the allowance made in 2019 has been maintained for accounting disclosures.

On 20 November 2020, the High Court issued a supplementary ruling in the Lloyds Bank GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The results mean that trustees are obliged to make top-up payments that reflect equalisation benefits and to make top-up payments where this was not the case in the past. Also, a defined benefit scheme that received a transfer is concurrently obliged to provide equalised benefits in respect to the transfer payments and, finally, there were no exclusions on the grounds of discharge forms, CETV legislation, forfeiture provisions or the Limitation Act 1980.

The impact of this ruling was estimated to cost £0.231 million (approximately 0.1% of liabilities). This additional service cost was recognised through the income statement as a past service cost in the year ending 31 March 2021 and was presented within exceptional items and therefore the impact of the ruling is allowed for in the figures presented at 31 March 2022.

The Scheme liabilities are split between active, deferred and pensioner members at 31 March as follows:

	2022 %	2021 %
Active	**—**	—
Deferred	**35**	35
Pensioners	**65**	65
	100	100

24. Retirement benefit obligations continued

Movements in the fair value of Scheme assets:

	2022 £000	2021 £000
Fair value of Scheme assets at the start of the year	**167,379**	172,766
Interest income	**3,259**	3,888
Loss on Scheme assets excluding interest income	**(6,763)**	(988)
Contributions by employer	**3,900**	2,834
Benefits paid	**(10,784)**	(9,557)
Expenses paid	**(1,211)**	(1,564)
Fair value of Scheme assets at the end of the year	**155,780**	167,379
Actual (loss)/return on Scheme assets	**(3,504)**	2,900

The fair value of Scheme asset investments was as follows:

	2022 £000	2021 £000
Diversified growth funds	**65,234**	90,177
Bonds and liability-driven investment funds	**87,931**	71,044
Cash and liquidity funds	**2,615**	6,158
Total assets	**155,780**	167,379

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 and in the BMO LDI Real Dynamic LDI Fund which provides a degree of asset liability matching.

The net expense/(gain) recognised in the consolidated income statement was as follows:

	2022 £000	2021 £000
Past service credit	**(854)**	(6,458)
Net interest on the net defined benefit liability	**727**	842
Scheme administration expenses	**1,211**	1,564
	1,084	(4,052)

The net expense/(gain) is recognised in the following line items in the consolidated income statement:

	2022 £000	2021 £000
Charged to operating profit	**1,000**	1,117
Credited to exceptional items	**(643)**	(6,011)
Other finance revenue and expense – net interest on the net defined benefit liability	**727**	842
	1,084	(4,052)

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were:

	2022	2021
Discount rate at 31 March	**2.70%**	2.00%
Future salary increases	**N/A**	N/A
Inflation (RPI) (non-pensioner)	**3.70%**	3.25%
Inflation (CPI) (non-pensioner)	**3.20%**	2.75%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.70%**	3.25%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**3.20%**	2.75%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.55%**	3.15%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.60%**	2.30%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.85%**	3.65%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.30%**	4.20%

The mortality assumptions adopted at 31 March 2022 are 143% and 153% respectively of the standard tables S3PMA/S3PFA (2021: 143%/153% for S3PMA/S3PFA respectively), year of birth, no age rating for males and females, projected using CMI_2021 converging to 1.00% p.a. (2021: 1.00%) with a smoothing parameter 7.0% (2021: 7.0).

It is recognised that the Core CMI_2021 model is likely to represent an overly cautious view of experience in the near term. As a result, management have applied judgement and the CMI_2021 model has been adopted with a w2021 and w2020 weighting parameter of 10% to represent possible future trend as a best estimate and will be kept under review in the future. These assumptions imply the following life expectancies:

	2022	2021
Life expectancy for a male (current pensioner) aged 65	**18.8 years**	19.0 years
Life expectancy for a female (current pensioner) aged 65	**20.9 years**	21.0 years
Life expectancy at 65 for a male aged 45	**19.7 years**	19.9 years
Life expectancy at 65 for a female aged 45	**22.0 years**	22.2 years

It is assumed that 75% of the post A-Day maximum for active and deferred members will be commuted for cash (2021: 75%).

Pension Increase Exchange take-up is assumed to be 40% (2021: Bridging Pension Option take-up 40%).

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 statement of financial position.

The sensitivity to the principal actuarial assumptions of the present value of the defined benefit obligation is shown in the following table:

	2022 %	2022 £000	2021 %	2021 £000
Discount rate[1]				
Increase of 0.25% per annum	**(3.68)%**	**(6,682)**	(3.43)%	(7,014)
Decrease of 0.25% per annum	**3.82%**	**6,937**	3.61%	7,396
Decrease of 1.0% per annum	**16.10%**	**29,258**	15.71%	32,147
Inflation[2]				
Increase of 0.25% per annum	**1.25%**	**2,272**	1.14%	2,334
Increase of 1.0% per annum	**4.71%**	**8,568**	4.89%	10,004
Decrease of 1.0% per annum	**(5.47)%**	**(9,948)**	n/a	n/a
Life expectancy				
Increase of 1 year	**4.88%**	**8,862**	5.06%	10,355

1. At 31 March 2022, the assumed discount rate is 2.70% (2021: 2.00%).
2. At 31 March 2022, the assumed rate of RPI inflation is 3.70% and CPI inflation 3.20% (2021: RPI 3.25% and CPI 2.75%). Sensitivity to an inflation decrease of 1.0% was not calculated in the comparative period.

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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 2022 is 15 years (2021: 15 years).

The life expectancy assumption at 31 March 2022 is based upon increasing the age rating assumption by 1 year (2021: 1 year).

Other than those specifically mentioned above, there were no changes 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:

	2022 £000	2021 £000
Present value of funded obligation	**(181,759)**	(204,654)
Fair value of scheme asset investments	**155,780**	167,379
Recognised liability for defined benefit obligations	**(25,979)**	(37,275)
Actual return on scheme assets	**(3,504)**	2,900
Actuarial gains due to changes in demographic assumptions	**1,767**	6,727
Actuarial gains/(losses) due to changes in financial assumptions	**13,476**	(12,280)

25. Provisions

	2022			2021		
	Onerous contract £000	Site closure £000	Total £000	Onerous contract £000	Site closure £000	Total £000
Provisions at the start of the year	–	–	–	–	23	23
Provision established in the period	**87**	–	**87**	–	–	–
Provisions used in the period	–	–	–	–	(23)	(23)
Provisions at the end of the year	**87**	–	**87**	–	–	–
Non-current	–	–	–	–	–	–
Current	**87**	–	**87**	–	–	–
	87	–	**87**	–	–	–

Provision has been made at 31 March 2022 for a loss-making customer contract in China.

26. Trade and other payables – falling due within one year

	2022 £000	2021 £000
Trade payables	**13,399**	8,614
Other taxes and social security costs	**1,204**	2,038
Other creditors	**2,071**	1,728
Accruals	**4,388**	4,636
	21,062	17,016

27. Ordinary share capital

Ordinary shares of 5 pence each

	Number of shares	£000
Issued and fully paid at 31 March 2021	73,419,193	3,671
Issued and fully paid at 31 March 2022	**73,419,193**	**3,671**

There are 15,974 vested shares outstanding in respect of a buyout award granted to a former Director of the Company. These are yet to be issued.

There are 1,517,376 potential share options outstanding under the performance share plan at 31 March 2022 (2021: 133,000). The 133,000 share options outstanding at 31 March 2021 failed to vest on 31 July 2021 and hence lapsed.

Outstanding awards under the performance share plan are as follows:

	Date granted	Number of shares	Price	Earliest date of vesting
Performance share plan	5 August 2021	1,517,376	nil	5 August 2024

Conditional share awards have been granted to Executive Directors and senior managers within the Group under the Carclo plc 2017 Performance Share Plan (the "PSP"). In addition, a number of managers have been granted conditional cash awards linked to the future value of Carclo plc shares, which also fall within the scope of IFRS 2 Share-based Payments.

The vesting conditions for the outstanding cash and equity awards are linked to continued employment and satisfaction of market-based and non-market-based performance conditions.

As required under IFRS 2, a charge is recognised for the conditional share awards and conditional cash awards granted under the PSP, and awards are valued using a Monte Carlo model and a Black-Scholes model. Additional awards granted to Executive Directors are subject to a two-year post-vesting holding period applicable to the post-tax number of shares acquired on vest. For these awards, a discount for lack of marketability ("DLOM") has been calculated using a Finnerty model.

The fair value per share of the awards under the performance share plan granted in the year is as follows:

	2022						2021
Performance share plan	**Cash award TSR**	**Cash award EPS**	**Equity award TSR**	**Equity award EPS**	**Restricted equity award TSR**	**Restricted equity award EPS**	No award
Number of shares per tranche	**293,621**	**293,621**	**398,754**	**398,754**	**100,079**	**100,079**	n/a
Fair value at grant date	**8.9p**	**20.4p**	**30.4p**	**41.6p**	**21.4p**	**29.3p**	n/a
Share price at grant date	**41.6p**	**41.6p**	**41.6p**	**41.6p**	**41.6p**	**41.6p**	n/a
Exercise price	**0.0p**	**0.0p**	**0.0p**	**0.0p**	**0.0p**	**0.0p**	n/a
Risk-free rate	**0.16%**	**0.16%**	**0.16%**	**n/a**	**0.16%**	**n/a**	n/a
Expected volatility	**108.96%**	**108.96%**	**108.96%**	**n/a**	**108.96%**	**n/a**	n/a
Expected dividend yield	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	n/a

Restricted equity awards are subject to a two-year post-vesting holding period.

The equity and restricted equity awards issued under the performance share plan on 5 August 2021 have a split performance condition whereby half of the awards would vest after three years based on performance compared to total shareholder return ("TSR") and the remaining half would vest based on earnings per share ("EPS") performance. 100% of the awards subject to the TSR performance condition will vest where the Company's average share price during the 30 days prior to vest (the "Measurement Period") is at least 90 pence and 0% if the average is lower than 71 pence. 5% will vest for each whole penny that the share price during the measurement period exceeds 70 pence. Cash awards are subject to a cap on the quantum of cash which can be paid which is equal to the number of shares underpinning the award multiplied by 90 pence. 100% of awards subject to the EPS condition will vest in full if Carclo plc's EPS for the financial year ending 31 March 2024 is at least 8.0 pence. 5% of the shares subject to the EPS part of the award would vest for every 0.1 pence above 6.0 pence.

There was no issue of share options during the period ended 31 March 2021.

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The amounts recognised in the income statement arising from equity-settled share-based payments was a charge of £0.059 million (2021: charge of £0.026 million).

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for the year ended 31 March 2022

27. Ordinary share capital continued

Ordinary shares of 5 pence each continued

The number and weighted average exercise price of the outstanding awards under the PSP and buy out awards are set out in the following table:

	2022		2021	
	Weighted average exercise price pence	Number of shares	Weighted average exercise price pence	Number of shares
Outstanding at 1 April	–	148,974	–	246,333
Lapsed during the period	–	(200,532)	–	(97,359)
Exercised during the period	–	–	–	–
Granted during the period	–	1,584,908	–	–
Outstanding at the end of the period	–	1,533,350	–	148,974
Exercisable at 31 March		15,974		–
Weighted average remaining contractual life at 31 March		2.35 years		0 years

28. 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 2022 the plan held 3,077 shares (2021: 3,077 shares).

29. 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, trade payables and lease liabilities 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, covering insolvency, default and political risk, is sought for all customers where exposure is in excess of £0.02 million. 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 revolving credit facilities of £nil at 31 March 2022 (2021: £1.5 million).

The maximum exposure to credit risk as at 31 March was:

	2022 £000	2021 £000
Trade receivables, net of attributable impairment provisions (see note 19)	14,792	15,496
Cash and cash deposits (see note 20)	12,347	15,485
Contract assets (see note 18)	7,700	2,898
	34,839	33,879

Carclo is a worldwide supplier of components and systems. As a consequence, 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:

	2022 £000	2021 £000
United Kingdom	**6,599**	2,340
Rest of Europe	**1,166**	3,135
North America	**4,427**	6,291
Rest of world	**2,600**	3,730
Trade receivables, net of attributable impairment provisions	**14,792**	15,496
United Kingdom	**1,316**	1,333
Rest of Europe	**2,166**	479
North America	**4,218**	463
Rest of world	**—**	623
Contract assets, net of attributable impairment provisions	**7,700**	2,898

b) Interest rate risk

The Group's borrowings are on fixed and floating rate terms. The interest charge borne by the Group in the year to 31 March 2022 was 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 2022				
Sterling	**4,422**	**19,464**	**—**	**23,886**
US dollar	**4,839**	**10,146**	**—**	**14,985**
Euro	**86**	**4,150**	**—**	**4,236**
Other	**1,645**	**—**	**—**	**1,645**
	10,992	**33,760**	**—**	**44,752**
As at 31 March 2021				
Sterling	3,730	19,954	—	23,684
US dollar	3,583	9,672	—	13,255
Euro	149	4,187	—	4,336
Other	1,806	—	—	1,806
	9,268	33,813	—	43,081

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 2022			
Sterling	**2,048**	**873**	**2,921**
US dollar	**3,058**	**632**	**3,690**
Euro	**214**	**1,418**	**1,632**
Other	**1**	**4,103**	**4,104**
	5,321	**7,026**	**12,347**

29. Financial instruments continued
b) Interest rate risk continued

	Floating rate interest (payable)/ receivable £000	No interest receivable £000	Total £000
As at 31 March 2021			
Sterling	(1,424)	251	(1,173)
US dollar	9,272	95	9,367
Euro	991	1,979	2,970
Other	797	3,524	4,321
	9,636	5,849	15,485

The floating rate of interest earned on cash balances is in the range bank base -1% to bank base +2%.

The Group has a net UK multi-currency overdraft facility with a £nil net limit and a £12.5 million gross limit agreed as part of the refinancing arrangement signed on 14 August 2020. The overdrafts bear interest at between 2.0% and 4.5% above prevailing bank base rates. At 31 March 2022, Carclo plc's overdraft of £2.4 million (2021: £4.6 million) has been recognised within cash and cash deposits when consolidated.

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 term loans, 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. Refer to note 22 for further details.

As detailed in note 22, at 31 March 2022 the Group had a committed term loan outstanding of £30.3 million (2020: £32.1 million), a committed revolving credit facility available of £3.5 million which is £3.5 million drawn (2021: £3.5 million facility, £2 million drawn) and UK net overdraft facilities totalling £nil (2021: £nil), repayable on demand.

The Group's net debt at 31 March 2022 was £32.405 million (2021: £27.596 million). The net debt comprised £44.752 million interest-bearing loans and borrowings (see note 22) less £12.347 million cash and cash deposits (see note 20).

The Group's term loan and revolving credit facilities are available in the UK; net overdraft facilities available in the UK totalled £nil at 31 March 2021 and, as such, the plc overdraft at year end of £2.4 million has been presented net against cash and cash deposits.

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:

	Term loan £000	**Government COVID-19 support loans £000**	**Revolving credit facility £000**	**Other loans £000**	**Lease liabilities £000**	**Total £000**
As at 31 March 2022						
Within 1 year	**1,331**	**—**	**—**	**70**	**1,546**	**2,947**
Within 1 to 2 years	**28,929**	**—**	**3,500**	**43**	**1,582**	**34,054**
Within 2 to 5 years	**—**	**—**	**—**	**9**	**6,167**	**6,176**
More than 5 years	**—**	**—**	**—**	**—**	**1,575**	**1,575**
	30,260	**—**	**3,500**	**122**	**10,870**	**44,752**

	Term loan £000	Government COVID-19 support loans £000	Revolving credit facility £000	Other loans £000	Lease liabilities £000	Total £000
As at 31 March 2021						
Within 1 year	1,473	2,104	—	40	1,467	5,084
Within 1 to 2 years	1,273	—	—	42	1,494	2,809
Within 2 to 5 years	29,066	—	2,000	28	2,990	34,084
More than 5 years	—	—	—	—	1,104	1,104
	31,812	2,104	2,000	110	7,055	43,081

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$13.3 million (2021: US$13.3 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 €4.9 million (2021: €4.9 million) is designated as the hedging instrument against foreign currency exposures in the net investment in the European operations. Under this hedge accounting, foreign exchange gains and losses on non-GBP loans are recognised, not in the income statement, but in other comprehensive income.

In addition, the Group is subject to transactional foreign currency exposures arising from the sale and purchase of goods and services in currency 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 an estimated £20,000 on any day using forward contracts. However, within the UK operations opportunities have been exploited to naturally hedge inflows in currency 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:

	2022		2021	
	Less than 6 months £000	**6 – 12 months £000**	Less than 6 months £000	6 – 12 months £000
Assets	**825**	**—**	1,644	—
Liabilities	**—**	**—**	—	—
	825	**—**	1,644	—

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 2022					
Trade receivables, net of attributable impairment provisions	**6,520**	**4,832**	**1,461**	**1,979**	**14,792**
Trade payables	**(4,482)**	**(6,856)**	**(813)**	**(1,248)**	**(13,399)**
Net	**2,038**	**(2,024)**	**648**	**731**	**1,393**
As at 31 March 2021					
Trade receivables, net of attributable impairment provisions	4,059	6,550	2,460	2,427	15,496
Trade payables	(2,064)	(4,143)	(1,700)	(707)	(8,614)
Net	1,995	2,407	760	1,720	6,882

The following table summarises the main exchange rates used during the year:

	Average rate		Reporting date mid-market rate	
	2022	2021	**2022**	2021
Sterling/US dollar	**1.35**	1.31	**1.32**	1.38
Sterling/euro	**1.18**	1.12	**1.19**	1.18
Sterling/Czech koruna	**29.80**	29.8	**28.96**	30.7
Sterling/Chinese yuan	**8.76**	8.85	**8.34**	9.04
Sterling/Indian rupee	**101.78**	97.1	**99.83**	101.0

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29. Financial instruments continued

d) Foreign currency risk continued

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 2022 and 31 March 2021. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2022 were insignificant.

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 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:

	2022			2021		
	Loans and borrowings £000	Carrying amount Assets £000	Carrying amount Liabilities £000	Loans and borrowings £000	Carrying amount Assets £000	Carrying amount Liabilities £000
US dollar	**10,146**	**48,112**	**(20,845)**	9,671	40,082	(14,909)
Euro	**4,150**	**1,888**	**(647)**	4,187	2,325	(1,010)
Other currencies	**—**	**33,740**	**(8,465)**	—	30,782	(7,782)

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 profit of £0.44 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 2022, 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 £0.342 million (2021: £0.318 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 £0.8 million for the year ended 31 March 2022 (2021: £0.7 million decrease) which is detailed by currency in the following table:

	2022 £000	2021 £000
US dollar	**367**	384
Euro	**15**	43
Czech koruna	**39**	57
Other	**403**	229
	824	713

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.

30. Cash generated from operations

	2022 £000	2021 £000
Profit for the year	**5,799**	7,412
Adjustments for:		
Pension scheme contributions net of costs settled by the Company	**(3,258)**	(2,179)
Pension scheme costs settled by the Scheme	**569**	910
Depreciation charge	**6,825**	5,774
Amortisation charge	**203**	206
Exceptional gain in respect of retirement benefits	**(854)**	(6,458)
Conversion of COVID-19 government support loan to grant	**(2,087)**	–
Profit on business disposal	**(693)**	(1,250)
Loss on disposal of other plant and equipment	**–**	10
Loss on disposal of intangible non-current assets	**–**	5
Cash flow relating to provision for site closure costs	**–**	(23)
Share-based payment charge	**73**	1
Financial income	**(77)**	(42)
Financial expense	**3,066**	2,701
Taxation	**809**	457
Operating cash flow before changes in working capital	**10,375**	7,524
Changes in working capital		
(Increase)/decrease in inventories	**(3,816)**	768
Increase in contract assets	**(4,708)**	(1,492)
Decrease/(increase) in trade and other receivables	**42**	(308)
Increase in trade and other payables	**4,549**	864
Increase in contract liabilities	**338**	3,846
Cash generated from operations	**6,780**	11,202

31. Financial commitments

	2022 £000	2021 £000
The Directors have authorised the following future capital expenditure which is contracted:	**944**	3,572

32. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 33), 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.

During the year to 31 March 2022, the Group paid £0.169 million to Thingtrax, a company that offers intelligent manufacturing infrastructure as a service. Frank Doorenbosch, a Carclo plc Non-Executive Director, is also a non-executive of Thingtrax and, as such, the company is identified as a related party. During the year to 31 March 2022, £0.1 million has been recognised as a cost in the income statement; the balance is prepaid and will be recognised in the year to 31 March 2023.

With effect from 6 June 2022, Frank Doorenbosch was appointed as a consultant to the Group for a period of up to twelve months, and accordingly is an Executive Director for that period. It is intended that Frank will revert back to being a Non-Executive Director of the Company as soon as the consultancy period has ended.

There have been no other changes to related parties in the year ended 31 March 2022.

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 57 to 75.

Group pension scheme

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

Contributions agreed with the trustees of the Group pension scheme were £0.292 million per month during the year to 31 March 2022 to incorporate both deficit recovery contributions and scheme expenses including PPF levy. An additional £0.4 million was also paid under the schedule of contributions. The monthly cost will remain the same in the year to 31 March 2023 with additional annual contributions of £0.35 million agreed.

Carclo incurred administration costs of £1.2 million during the period which has been charged to the consolidated income statement, including £0.2 million presented as exceptional costs (2021: £1.6 million, of which £0.5 million was presented as exceptional costs). Costs of £0.1 million were incurred to manage the plan's assets; this was recognised against the pension liability. Of the administration costs, £0.6 million was paid directly by the scheme (2021: £0.9 million). The total of deficit reduction contributions and administration costs paid by the Group during the period was £3.9 million (2021: £2.8 million).

33. 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 is 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	Status	Class of shares held	2022 %	2021 %
Acre Mills (UK) Limited	1	UK	Dormant	Ordinary	**100**	100
Arthur Lee & Sons (Hot Rolling Mills) Limited	1	UK	Dormant	Ordinary	**100**	100
Australian Card Clothing Limited	1	UK	Dormant	Ordinary	**100**	100
Bruntons Aero Products Limited	1	UK	Active	Ordinary	**100**	100
Bruntons (Musselburgh) Limited	2	UK	Dormant	Ordinary	**100**	100
Brymill Stockholders Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Diagnostic Solutions Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Group Services Limited	1	UK	Active	Ordinary	**100**	100
Carclo Holding Corporation	One Nexus Way, Camana Bay, Grand Cayman, KY1-9005	Cayman Islands	Active	Ordinary	**100**	100
Carclo Holding Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Investments Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Overseas Holdings Limited	1	UK	Active	Ordinary	**100**	100
Carclo Technical Plastics Limited	1	UK	Active	Ordinary	**100**	100
Carclo Technical Plastics Private Co. Limited	27A (2) KIADB Industrial Area, Doddabalapur, Bangalore – 561203, Karnataka	India	Active	Ordinary	**100**	100
Carclo Technical Plastics (Mitcham) Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Technical Plastics (Slough) Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Zephyr Limited	1	UK	Dormant	Ordinary	**100**	100
CIT Technology Limited	1	UK	Active	Ordinary	**100**	100
Critchley, Sharp & Tetlow Limited	1	UK	Dormant	Ordinary	**100**	100
Crowther & Gee Limited	1	UK	Dormant	Ordinary	**100**	100
CTP Davall Limited	2	UK	Dormant	Ordinary	**100**	100
CTP Lichfield Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Platt Nederland BV	1	UK	Active	Ordinary	**100**	100
CTP Silleck Limited	1	UK	Dormant	Ordinary	**100**	100
CTP Silleck Scotland Limited	2	UK	Dormant	Ordinary	**100**	100
CTP White Knight Limited	1	UK	Dormant	Ordinary	**100**	100
Dell Baler Limited	1	UK	Dormant	Ordinary	**100**	100
Edwin Stead & Sons Limited	1	UK	Dormant	Ordinary	**100**	100
Fairbank Brearley Limited	1	UK	Dormant	Ordinary	**100**	100
Finespark (Horsham) Limited	1	UK	Active	Ordinary	**100**	100
Highfield Mills Limited	1	UK	Dormant	Ordinary	**100**	100
Hills Diecasting Company Limited	1	UK	Dormant	Ordinary	**100**	100

33. Group entities continued

Investments in subsidiaries continued

Company	Registered office address	Principal place of business	Status	Class of shares held	2022 %	2021 %
Hills Non Ferrous Limited	1	UK	Dormant	Ordinary	**100**	100
Horsfall & Bickham Limited	1	UK	Dormant	Ordinary	**100**	100
Horsfall Card Clothing Limited	1	UK	Dormant	Ordinary	**100**	100
Ironfoil Limited	1	UK	Dormant	Ordinary	**100**	100
John Sharp (Wire) Limited	1	UK	Dormant	Ordinary	**100**	100
J.W.& H. Platt Limited	1	UK	Dormant	Ordinary	**100**	100
Lee of Sheffield Limited	1	UK	Dormant	Ordinary	**100**	100
Lee Stainless Steel Services Limited	1	UK	Dormant	Ordinary	**100**	100
Leeplas Limited	1	UK	Dormant	Ordinary	**100**	100
Metallic Card Clothing Company Limited (The)	1	UK	Dormant	Ordinary	**100**	100
Norseman (Cables & Extrusions) Limited	1	UK	Dormant	Ordinary	**100**	100
Novoplex Limited	1	UK	Dormant	Ordinary	**100**	100
Pratt, Levick and Company Limited	1	UK	Dormant	Ordinary	**100**	100
Rumbold Securities Limited	1	UK	Dormant	Ordinary	**100**	100
Seymour Plastics Limited	1	UK	Dormant	Ordinary	**100**	100
Sheffield Wire Rope Company Limited (The)	1	UK	Dormant	Ordinary	**100**	100
Shepley Investments Limited	1	UK	Dormant	Ordinary	**100**	100
Smith Wires Limited	1	UK	Dormant	Ordinary	**100**	100
Station Road (UK) Limited	1	UK	Dormant	Ordinary	**100**	100
Texture Rolled Limited	1	UK	Dormant	Ordinary	**100**	100
Thomas White & Sons Limited	2	UK	Dormant	Ordinary	**100**	100
Trubrite Limited	1	UK	Dormant	Ordinary	**100**	100
Tru-Grit Limited	1	UK	Dormant	Ordinary	**100**	100
Woodcock & Booth Limited	1	UK	Dormant	Ordinary	**100**	100
Woodhead Limited	1	UK	Dormant	Ordinary	**100**	100
Yorkshire Engineering Supplies Limited	1	UK	Dormant	Ordinary	**100**	100

1. Registered office address is: Unit 5, Silkwood Court, Ossett, United Kingdom, WF5 9TP
2. Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk, Industrial Estate, Musselburgh, East Lothian, EH21 7PA

Group	Registered office address	Principal place of business	Status	Class of shares held	2022 %	2021 %
Apollo Steels Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo France SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Active	Ordinary	**100**	100
Carclo Securities Limited	1	UK	Dormant	Ordinary	**100**	100
Carclo Technical Plastics (Brno) s.r.o	Turanka 98, 627000, Brno	Czech Republic	Active	Ordinary	**100**	100
Carclo US Finance No. 2	1	UK	Dormant	Ordinary	**100**	100
Carclo US Holdings Inc	600 Depot St. Latrobe, PA. 15650	USA	Active	Ordinary	**100**	100
Chapmans Springs Limited	1	UK	Dormant	Ordinary	**100**	100
CTP Alan Limited	1	UK	Dormant	Ordinary	**100**	100
CTP Carrera Inc	600 Depot St. Latrobe, PA. 15650	USA	Active	Ordinary	**100**	100

Group	Registered office address	Principal place of business	Status	Class of shares held	2022 %	2021 %
CTP Finance NV	Pareraweg 45, Curacao	Curacao	Members' Voluntary Liquidation	Ordinary	**100**	100
CTP Moulded Gears Limited	1	UK	Dormant	Ordinary	**100**	100
CTP Precision Tooling Limited	1	UK	Dormant	Ordinary	**100**	100
CTP Taicang Co., Ltd	No. 8 Xixin Road, Chengxiang Town, Taicang City, Jiangsu Province 215411	China	Active	Ordinary	**100**	100
Datacall Limited	1	UK	Dormant	Ordinary	**100**	100
D.B.T. (Motor Factors) Limited	1	UK	Dormant	Ordinary	**100**	100
Douglas Campbell Limited	2	UK	Dormant	Ordinary	**100**	100
European Card Clothing Company Limited	1	UK	Dormant	Ordinary	**100**	100
Electro-Medical Limited	1	UK	Dormant	A1 ordinary & ordinary	**100**	100
Finemoulds Limited	1	UK	Dormant	Ordinary	**100**	100
Gilby-Brunton Limited	2	UK	Dormant	Ordinary	**100**	100
Industates Limited	1	UK	Dormant	Ordinary	**100**	100
Jacottet Industrie SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Active	Ordinary	**100**	100
John Shaw Lifting & Testing Services Limited	1	UK	Dormant	Ordinary	**100**	100
Jonas Woodhead Limited	1	UK	Dormant	Ordinary	**100**	100
Jonas Woodhead (Manchester) Limited	1	UK	Dormant	Ordinary	**100**	100
Jonas Woodhead (Ossett) Limited	1	UK	Dormant	Ordinary	**100**	100
Jonas Woodhead (Sheffield) Limited	1	UK	Dormant	Ordinary	**100**	100
Jonas Woodhead & Sons Limited	1	UK	Dormant	Ordinary	**100**	100
K.A.S. Precision Engineering Limited	1	UK	Dormant	Ordinary	**100**	100
Platform Diagnostics Limited	1	UK	Dormant	A1 ordinary	**60**	60
Rumbold Investments Limited	1	UK	Dormant	Ordinary	**100**	100
Shepley Securities Limited	1	UK	Dormant	Ordinary	**100**	100
Sima Plastics Limited	1	UK	Dormant	Ordinary	**100**	100
Squires Steel Stockholders Limited	1	UK	Dormant	Ordinary	**100**	100
Sybro Limited	1	UK	Dormant	Ordinary	**100**	100
Toledo Woodhead Springs Limited	1	UK	Dormant	Ordinary	**100**	100
Tolwood Engineering Limited	1	UK	Dormant	Ordinary	**100**	100
Woodhead Components Limited	1	UK	Dormant	Ordinary	**100**	100
Woodhead Construction Services Limited	1	UK	Dormant	Ordinary	**100**	100
Woodhead Steel Limited	1	UK	Dormant	Ordinary	**100**	100

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34. Post balance sheet events

On 29 April 2022, subsequent to balance sheet date, the Group entered into a sale and leaseback agreement for a Technical Plastics manufacturing site at Tucson, Arizona, USA. The transaction is expected to complete in July 2022 for a purchase price of $2.95 million less costs of $0.2 million. A lease term of 9 years has been agreed and grants the Group the right to cancel any time after 3 years, provided twelve months' notice is given. At 31 March 2022 there is no reasonable certainty that the Group will exercise the break clause. The Group expects to recognise a profit on disposal in respect to the site of £0.6 million in the year ending 31 March 2023.

COMPANY BALANCE SHEET

as at 31 March 2022

	Notes	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Property, plant and equipment	37	**152**		67	
Intangible assets	38	**177**		223	
Investments in subsidiary undertakings	39	**93,795**		93,795	
Deferred tax assets	43	**952**		218	
			95,076		94,303
Current assets					
Debtors – amounts falling due within one year	40	**69,441**		69,099	
Debtors – amounts falling due after more than one year	40	**2,033**		4,588	
Cash at bank and in hand		**450**		3,559	
		71,924		77,246	
Creditors – amounts falling due within one year					
Trade and other creditors	41	**(109,232)**		(113,213)	
		(109,232)		(113,213)	
Net current liabilities			**(37,308)**		(35,967)
Total assets less current liabilities			**57,768**		58,336
Creditors – amounts falling due after more than one year	42		**(35,478)**		(35,291)
Net assets excluding pension liability			**22,290**		23,045
Pension liability	44		**(25,979)**		(37,275)
Net liabilities			**(3,689)**		(14,230)
Capital and reserves					
Called-up share capital	27		**3,671**		3,671
Share premium account			**7,359**		7,359
Profit and loss account			**(14,719)**		(25,260)
Shareholders' deficit			**(3,689)**		(14,230)

The Company reported a profit after tax for the year of £1,988,000 (2021: profit of £181,000).

These accounts were approved by the Board of Directors on 29 June 2022 and were signed on its behalf by:

Nick Sanders
Director

Registered Number 196249

Phil White
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2020	3,671	7,359	(18,927)	(7,897)
Profit for the year	–	–	181	181
Other comprehensive expense				
Remeasurement losses on defined benefit scheme	–	–	(6,540)	(6,540)
Taxation on items above	–	–	–	–
Total comprehensive expense for the year	–	–	(6,359)	(6,359)
Transactions with owners recorded directly in equity				
Share-based payments	–	–	26	26
Taxation on items recorded directly in equity	–	–	–	–
Balance at 31 March 2021	3,671	7,359	(25,260)	(14,230)
Balance at 1 April 2021	**3,671**	**7,359**	**(25,260)**	**(14,230)**
Profit for the year	**–**	**–**	**1,988**	**1,988**
Other comprehensive income				
Remeasurement gains on defined benefit scheme	**–**	**–**	**8,480**	**8,480**
Taxation on items above	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**10,468**	**10,468**
Transactions with owners recorded directly in equity				
Share-based payments	**–**	**–**	**73**	**73**
Taxation on items recorded directly in equity	**–**	**–**	**–**	**–**
Balance at 31 March 2022	**3,671**	**7,359**	**(14,719)**	**(3,689)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2022

35. Basis of preparation for the Company

Going concern

The financial statements are prepared on the going concern basis.

Group performance during the year has enabled capital and working capital investment to be made whilst retaining a stable financial position with net debt excluding lease liabilities as of 31 March 2022 increasing to £21.5 million (2021: £20.5 million).

The debt facilities available to the Group comprise a term loan of £30.3 million, of which £1.4 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility which was fully utilised as of 31 March 2022. Both of these facilities mature on 31 July 2023.

A schedule of contributions with the pension trustees is in place through to July 2023; beyond this a schedule of contributions for £3.5 million annually is in place until 31 October 2040. This schedule is reviewed and reconsidered between the Company and the trustees at each triennial actuarial valuation, the next being after the results of the 31 March 2021 triennial valuation are known. This valuation, and accordingly an updated schedule of contributions which has been provisionally agreed, is expected to be concluded by 31 July 2022. For the purposes of this going concern review the extant schedule of contributions has been considered in the base case.

An intercreditor deed between Carclo plc, certain other Group companies, the bank and the pension scheme trustees requires the Group to have refinanced its bank debt with a maturity date not earlier than 31 March 2026 and to have agreed an updated schedule of contributions for the actuarial valuation of the scheme as at 31 March 2021 by 31 July 2022 (this date having been recently extended by one month).

The Group, the bank and the pension scheme trustees are actively engaged in negotiations over the refinancing of the bank debt beyond the current expiry date of 31 July 2023 and over the updated schedule of contributions. The parties are committed to a plan to finalise these by 31 July 2022 and the Directors have an expectation that this will be achieved.

As such the Directors' going concern assessment period is twelve months from the date of signing these financial statements.

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.

It is assumed that the bank covenants and thresholds set out in the current banking agreement are in place throughout the going concern assessment period and are not amended as a result of the ongoing refinancing.

Based on our current base case forecasts, these covenant tests are expected to be met throughout the assessment period.

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 respect to the years to 31 March 2022 and 31 March 2023 the test requires any shortfall of pension deficit recovery contributions when measured against Pension Protection Fund 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 Technical Plastics and Aerospace businesses based on an EBITDA multiple for those businesses which is to be determined annually.

The Directors have reviewed 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 current 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.

In addition the Directors have reviewed cash flow and covenant forecasts for the same time period based on management's best estimates of the impact of the ongoing negotiations on facilities and pension contributions which includes currently uncommitted bank loan repayments and provisionally agreed additional pension deficit recovery contributions contingent on future performance. These demonstrate that the Group has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have reviewed sensitivity testing based on a number of reasonably possible scenarios, taking into account the current view of impacts of the continuing COVID-19 pandemic on the Group (particularly from supply chain disruption and any unmitigated cost inflation across all types of operational expenditure) and possible political uncertainty, including the impact of the Russian invasion of Ukraine and heightened risk of wider conflict, Brexit and other possible overseas trading issues.

Severe downside sensitivity testing has been performed under a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, delays in the timing of commencement of significant contractual projects, reduction in revenue from specific customers, minimum wage increases, unmitigated inflationary impact across operating costs and exchange risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Directors consider that the Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditure 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.

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 2022 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 ("UK-adopted international accounting standards"), but makes amendments where necessary in order to comply with the 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.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- 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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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 49.

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 2021. 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 2021:

- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Amendment): Interest Rate Benchmark Reform – Phase 2; and
- IFRS 16 Leases (Amendment): COVID-19-related rent concessions beyond 30 June 2021.

These standards have not had a material impact on the Company's financial statements.

a) 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.

b) Leases

At inception of a contract, the Company 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 Company uses the definition of a lease in IFRS 16.

As a lessee

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

The Company 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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.

35. Basis of preparation for the Company continued

Accounting policies for the Company continued

b) Leases continued

As a lessee continued

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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 Company presents right-of-use assets that do not meet the definition of investment property in "tangible fixed assets" and lease liabilities in "trade and other creditors – amounts falling due in less than one year" and "creditors – amounts falling due after more than one year" in the balance sheet.

Short-term leases and leases of low-value assets

The Company 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 Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

c) 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.

d) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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 property, plant and equipment. 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.

e) 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.

f) 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 values 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 comprehensive income.

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.

g) 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.

h) 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.

i) 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 expenses in profit or loss.

Further disclosure in relation to share-based payments is given in note 27 of the Group financial statements.

j) 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.

36. Personnel

The average number of employees in the year was 18 (2021: 20).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2022

37. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2021	—	180	180
Additions	**141**	**2**	**143**
Balance at 31 March 2022	**141**	**182**	**323**
Depreciation and impairment losses			
Balance at 31 March 2021	—	113	113
Depreciation charge	**22**	**36**	**58**
Balance at 31 March 2022	**22**	**149**	**171**
Carrying amounts			
At 31 March 2021	—	67	67
At 31 March 2022	**119**	**33**	**152**

38. Intangible fixed assets

	Software £000
Cost	
Balance at 31 March 2021	1,143
Additions	**73**
Balance at 31 March 2022	**1,216**
Amortisation and impairment losses	
Balance at 31 March 2021	920
Amortisation charge	**119**
Balance at 31 March 2022	**1,039**
Carrying amounts	
At 31 March 2021	223
At 31 March 2022	**177**

39. Fixed asset investments

	Shares in Group undertakings £000
Cost	
Balance at 31 March 2021	150,117
Balance at 31 March 2022	**150,117**
Provisions	
Balance at 31 March 2021	56,322
Balance at 31 March 2022	**56,322**
Net book value	
At 31 March 2021	93,795
At 31 March 2022	**93,795**

During the year ended 31 March 2022, £0.7 million (2021: £1.3 million) was received from the administrators of Wipac Ltd, the investment disposed of in the year ended 31 March 2020. See note 4 in the Group accounts for further details.

Value in use models were used to assess the recoverable amount of investments in the material trading subsidiaries. The key assumptions in these models were cash flow projections covering a three-year period and discount rates. Sufficient headroom between recoverable amount and net book value was calculated and 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 33 to the Group financial statements.

40. Debtors

	2022 £000	2021 £000
Debtors – amounts falling due within one year:		
Amounts owed by Group undertakings	**69,091**	68,808
Other debtors	**164**	167
Prepayments and accrued income	**186**	124
	69,441	69,099
Debtors – amounts falling due after more than one year:		
Amounts owed by Group undertakings	**2,033**	4,588
	2,033	4,588

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.

Amounts owed by Group undertakings are presented after provision for credit risk.

41. Trade and other creditors – amounts falling due within one year

	2022 £000	2021 £000
Bank overdrafts	**2,407**	4,637
Trade creditors	**446**	371
Taxation and social security	**54**	50
Lease liabilities	**32**	16
Accruals and deferred income	**801**	1,184
Amounts owed to Group undertakings	**104,091**	105,442
Bank loans	**1,331**	1,473
Other loans	**70**	40
	109,232	113,213

The Group has a UK multi-currency net overdraft facility with a £nil net limit and a £12.5 million gross limit. The overdrafts bear interest at between 2.0% and 4.5% above prevailing bank base rates. At 31 March 2022, Carclo plc's overdraft of £2.4 million (2021: £4.6 million) has been recognised within cash and cash deposits when consolidated.

Bank loans include £33.8 million (2021: £33.8 million) secured on the assets of the Group. 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. Bank loans incur interest at between 1.9% and 4.5% above prevailing bank base rates.

As part of the debt restructuring which concluded on 14 August 2020, additional security was granted by the Company to the bank such that at 31 March 2022, the gross value of the Company's assets secured amounted to £168.3 million (2021: £171.5 million).

Amounts owed to Group undertakings which fall due within one year are non-interest bearing and repayable on demand.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2022

42. Creditors – amounts falling due after more than one year

	2022 £000	2021 £000
Bank loans	**32,429**	32,339
Other loans	**52**	59
Amounts owed to Group undertakings	**2,922**	2,881
Lease liabilities	**75**	12
	35,478	35,291

Amounts owed to Group undertakings which fall due after more than one year bear interest at market interest rates.

43. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2022 £000
Tax losses	**669**	—	**—**	—	**669**	—
Other	**283**	218	**—**	—	**283**	218
Deferred tax assets	**952**	218	**—**	—	**952**	218

Deferred tax assets have not been recognised in respect of the following items:

	2022 £000	2021 £000
Tax losses – trading	**3,770**	4,090
Tax losses – capital	**50**	35
Tax losses – non-trading	**312**	353
Employee benefits	**6,333**	7,086
Tangible fixed assets	**137**	76
Other	**—**	57
	10,602	11,697

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. An increase in deferred tax losses recognised as a deferred tax asset as at 31 March 2022 is based upon the latest approved business plan and profitability levels therein. Capital losses will be recognised at the point when a transaction gives rise to an offsetable capital gain; this was not the case at 31 March 2022. Similarly, non-trading losses will only be utilised against future non-trading profits. No such non-trading profits are foreseen at 31 March 2022. Trading losses will only be utilised against future trading profits; as such, a £0.7 million deferred tax credit has been recognised in the income statement upon recognition of UK deferred tax assets.

The tax losses at 31 March 2022 are available to carry forward without time restriction.

Movement in deferred tax during the year:

	Balance as at 1 Apr 21 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 22 £000
Tax losses	—	**669**	**—**	**669**
Other	218	**65**	**—**	**283**
	218	**734**	**—**	**952**

Movement in deferred tax during the prior year:

	Balance as at 1 Apr 20 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 21 £000
Other	—	218	—	218
	—	218	—	218

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. On 14 August 2020, additional security was granted by the Company to the scheme trustees such that at 31 March 2022, the gross value of the Company's assets secured amounted to £168.3 million (2021: £171.5 million).

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 2022, the plan held 3,077 shares (2021: 3,077 shares). The original cost of these shares was £0.003 million (2021: £0.003 million). The cost of the shares has been charged against the profit and loss account.

46. Contingent liabilities

The Company has entered into cross-guarantee arrangements relating to the bank borrowings of its UK and India subsidiary operations. The maximum obligation under these arrangements at 31 March 2022 was £nil (2021: £0.5 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 £1.988 million (2021: £0.181 million) which, after dividends of £nil (2021: £nil), gives a retained profit for the year of £1.988 million (2021: £0.181 million).

48. Related parties

The Company has a related party relationship with its subsidiaries (see note 33), 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 32 of the Group financial statements.

In addition to this:

- interest payable to Group companies during the period was £0.3 million (2021: £0.3 million) and interest receivable from Group companies during the period was £0.1 million (2021: £0.2 million);
- royalties were received from Group companies during the period totalling £1.6 million (2021: £1.2 million);
- management fee income was received from Group companies during the period totalling £1.2 million (2021: £1.3 million); and
- dividends were received from Group companies during the period totalling £1.7 million (2021: £0.9 million).

During the current period the Company's lending bank received £0.5 million (2021: £1.3 million) and the Company received a further £0.2 million 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. £0.6 million was prepaid against the term loan and, in accordance with the facilities agreement, £0.1 million was retained by the Company.

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 57 to 75.

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

Key judgements

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.

Pension assumptions

Note 24 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. The pension liability at 31 March 2022 amounts to £26.0 million (2021: £37.3 million).

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. Differences arising from actual experience or future changes in assumptions will be reflected in the Company's comprehensive income. The Company 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.

The scheme introduced a right for members to Pension Increase Exchange ("PIE") at retirement in the year to 31 March 2022 via a Deed of Amendment and communication to deferred members. Having taken actuarial advice, the Executive management has exercised judgement that, similar to the Bridging Pension Option adopted last year, 40% of members will take the PIE option at retirement. This estimate impacts on the past service credit recognised as an exceptional item in the income statement.

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 judgements

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, £0.9 million deferred tax assets have been recognised at the period end.

FIVE YEAR SUMMARY

	2022 £000	2021 £000	2020 £000	2019[1] £000	2018[1] £000
Group total:					
Revenue	**128,576**	107,564	146,288	144,851	146,214
Underlying operating profit	**6,096**	4,840	4,365	1,315	10,811
COVID-related US government grant income	**2,087**	—	—	—	—
Operating profit before exceptional items	**8,183**	4,840	4,365	1,315	10,811
Exceptional items	**721**	4,438	(8,779)	(13,908)	(904)
Operating profit/(loss)	**8,904**	9,278	(4,414)	(12,593)	9,907
Net financing charge	**(2,989)**	(2,659)	(2,585)	(2,061)	(1,740)
Profit/(loss) before tax	**5,915**	6,619	(6,999)	(14,654)	8,167
Income tax (expense)/credit	**(809)**	(457)	(1,449)	(3,978)	325
Profit/(loss) after tax but before loss on disposal of discontinued operations	**5,106**	6,162	(8,448)	(18,632)	8,492
Underlying operating profit	**6,096**	4,840	4,365	1,315	10,811
Add back: Amortisation of intangible assets	**203**	206	172	279	281
Underlying earnings before interest, tax and amortisation ("EBITA")	**6,299**	5,046	4,537	1,594	11,092
Add back: Depreciation of property, plant and equipment	**6,825**	5,774	6,765	5,260	4,732
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA")	**13,124**	10,820	11,302	6,854	15,824
Continuing operations:					
Revenue	**128,576**	107,564	110,506	105,338	104,681
Underlying operating profit	**6,096**	4,840	7,313	6,390	6,158
COVID-related US government grant income	**2,087**	—	—	—	—
Operating profit before exceptional items	**8,183**	4,840	7,313	6,390	6,158
Exceptional items	**721**	4,490	(5,470)	(4,507)	(904)
Operating profit	**8,904**	9,330	1,843	1,883	5,254
Net financing charge	**(2,989)**	(2,659)	(2,388)	(1,891)	(1,749)
Profit/(loss) before tax	**5,915**	6,671	(545)	(8)	3,505
Underlying operating profit from continuing operations	**6,096**	4,840	7,313	6,390	6,158
Add back: Amortisation of intangible assets from continuing operations	**203**	206	172	176	170
Underlying earnings before interest, tax and amortisation ("EBITA") from continuing operations	**6,299**	5,046	7,485	6,566	6,328
Add back: Depreciation of property, plant and equipment from continuing operations	**6,825**	5,774	5,951	4,344	3,937
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") from continuing operations	**13,124**	10,820	13,436	10,910	10,265

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FIVE YEAR SUMMARY continued

	2022 £000	2021 £000	2020 £000	2019[1] £000	2018[1] £000
Underlying operating profit margin	**4.7%**	4.5%	3.0%	0.9%	7.4%
Underlying operating profit margin from continuing operations	**4.7%**	4.5%	6.6%	6.1%	5.9%
Return on sales (underlying EBITA margin)	**4.9%**	4.7%	3.1%	1.1%	7.6%
Return on sales (underlying EBITA margin) from continuing operations	**4.9%**	4.7%	6.8%	6.2%	6.0%
Effective tax rate	**12.2%**	5.8%	-14.6%	-27.2%	-4.1%
Underlying effective tax rate	**26.0%**	21.0%	27.8%	19.2%	20.6%
Earnings/(loss) per share[2]	**7.9p**	10.1p	-15.5p	-25.4p	11.6p
Underlying earnings/(loss) per share[3]	**3.1p**	2.4p	0.4p	-2.7p	9.8p
Net debt	**(32,405)**	(27,596)	(27,357)	(38,481)	(31,476)
Capital employed (equity + net debt)	**56,821**	35,507	36,088	50,748	83,495
Average capital employed (equity + net debt)	**46,164**	35,798	43,418	67,122	63,730
Return on capital employed (excluding pension liabilities)	**7.8%**	6.6%	5.0%	1.2%	10.1%
Capital expenditure as a multiple of depreciation	**1.4x**	1.8x	1.5x	1.5x	2.0x
Average number of employees in year	**1,062**	1,048	1,475	1,501	1,442

1. The comparative information for 2018 and 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 year ending 2020.
2. Earnings/(loss) per share is calculated based on profit after tax, attributable to equity holders of the parent company, including discontinued operations and is after exceptional and separately disclosed items.
3. Underlying earnings/(loss) per share is calculated based on profit after tax, attributable to equity holders of the parent company, including discontinued operations and is before charging exceptional and separately disclosed items.

INFORMATION FOR SHAREHOLDERS

(a) Reconciliation of non-GAAP financial measures

	Notes	2022 £000	2021 £000
Profit for the period		**5,799**	7,412
Add back: Profit on discontinued operations, net of tax	4	**(693)**	(1,198)
Statutory profit after tax from continuing operations		**5,106**	6,214
Add back: Income tax expense from continuing operations	3, 12	**809**	457
Profit before tax from continuing operations		**5,915**	6,671
Add back: Net financing charge from continuing operations	3, 11	**2,989**	2,659
Operating profit from continuing operations		**8,904**	9,330
Less: Exceptional items from continuing operations	9	**(721)**	(4,490)
Operating profit before exceptional items from continuing operations		**8,183**	4,840
Less: COVID-related US government grant income		**(2,087)**	–
Underlying operating profit from continuing operations		**6,096**	4,840
Add back: Amortisation of intangible assets from continuing operations	15	**203**	206
Underlying earnings before interest, tax and amortisation ("EBITA") from continuing operations		**6,299**	5,046
Add back: Depreciation of property, plant and equipment from continuing operations	16	**6,825**	5,774
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") from continuing operations		**13,124**	10,820
Profit before tax from continuing operations		**5,915**	6,671
Less: Exceptional items from continuing operations	9	**(721)**	(4,490)
Less: COVID-related US government grant income		**(2,087)**	–
Underlying profit before tax from continuing operations		**3,107**	2,181
Income tax expense from continuing operations	3, 12	**809**	457
Add back: Exceptional tax expense from continuing operations		**–**	–
Group underlying tax expense from continuing operations		**809**	457
Group statutory effective tax rate from continuing operations		**13.7%**	6.9%
Group underlying effective tax rate from continuing operations		**26.0%**	21.0%
Cash at bank and in hand	20	**12,347**	15,485
Loans and borrowings – current	22	**(2,948)**	(5,084)
Loans and borrowings – non-current	22	**(41,804)**	(37,997)
Net debt		**(32,405)**	(27,596)
Add back: Lease liabilities		**10,870**	7,055
Net debt excluding lease liabilities		**(21,535)**	(20,541)
Information on consolidated statement of cash flows			
Net cash from operating activities		**2,969**	8,397
Less: Net cash used in operating activities from discontinued operations		**–**	52
Net cash from operating activities from continuing operations		**2,969**	8,449
Net cash used in investing activities		**(4,149)**	(6,006)
Less: Net cash from investing activities from discontinued operations	4	**(693)**	(1,250)
Net cash used in investing activities from continuing operations		**(4,842)**	(7,256)
Net cash (used in)/from financing activities		**(2,493)**	5,050
Less: Net cash used in financing activities from discontinued operations		**–**	–
Net cash (used in)/from financing activities from continuing operations		**(2,493)**	5,050

INFORMATION FOR SHAREHOLDERS continued

(b) Share price history

Share price per 5 pence ordinary share at close of business 31 March 1982: 11.6 pence

Calendar year	Low	High
2008	47.5p	96.0p
2009	48.5p	150.5p
2010	133.5p	241.5p
2011	239.0p	349.0p
2012	287.5p	503.0p
2013	257.0p	501.0p
2014	85.25p	292.5p
2015	87.0p	169.75p
2016	106.75p	169.0p
2017	120.0p	180.0p
2018	77.25p	127.5p
2019	10.3p	81.5p
2020	3.75p	23.0p
2021	15.15p	71.0p
2022	**18.6p**	**41.0p**

(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 8.30am to 5.30pm, 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

Non-current asset additions

Net bank interest

Interest receivable on cash at bank less interest payable on bank loans and overdrafts. Reported in this manner due to the global nature of the Group and its banking agreements

Net debt

Cash and cash deposits less loans and borrowings. Used to report the overall financial debt of the Group in a manner that is easy to understand

Net debt excluding lease liabilities

Net debt, as defined above, excluding lease liabilities. Used to report the overall non-leasing debt of the Group in a manner that is easy to understand

Operational gearing

Ratio of fixed overheads to sales

Underlying

Adjusted to exclude all exceptional and separately disclosed items

Underlying EBITDA

Profit before interest, tax, depreciation and amortisation adjusted to exclude all exceptional and separately disclosed items

Underlying earnings per share

Earnings per share adjusted to exclude all exceptional and separately disclosed items

Underlying operating profit

Operating profit adjusted to exclude all exceptional and separately disclosed items

Underlying profit before tax

Profit before tax adjusted to exclude all exceptional and separately disclosed items

Operating profit before exceptional items

Operating profit adjusted to exclude all exceptional items

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FINANCIAL CALENDAR

Annual General Meeting	1 September 2022
Interim results for half year ending 30 September 2022	November 2022
Preliminary results for year ending 31 March 2023	June 2023
Annual report for year ending 31 March 2023	mailed July 2023
Annual General Meeting	September 2023

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