Carclo

Carclo plc

Annual report and accounts FY24

Strategic report

Corporate governance

Financial statements

Additional information

Our performance

Revenue from continuing operations (£m)[1]

£132.7m

FY23: £143.4m

Underlying earnings per share – basic – from continuing operations (p)

1.1p

FY23: 0.4p

Statutory operating profit (£m)

£1.8m

FY23: £1.2m

Underlying operating profit[2] (£m)

£6.6m

FY23: £5.9m

Underlying EBITDA[3] (£m)

£14.6m

FY23: £14.0m

Cash generated from operations (£m)

£15.6m

FY23: £7.8m

Net debt (£m)

£29.5m

31 March 2023: £34.4m

Financial performance

We have prioritised the control of capital investment, working capital management and tight control over costs in order to increase cash generation and to increase return on capital

Revenue from continuing operations decreased by 7.5% (4.5% at constant currency) to £132.7m (FY23: £143.4m). Underlying operating profit from continuing operations £6.6m (FY23: £5.9m).

Cash generated from operations was £15.6m

(FY23: £7.8m).

Statutory operating profit from continuing operations was £1.8m

(FY23: £1.2m).

Net exceptional costs in the year of £4.9m

(FY23: £4.7m). Net exceptional costs in the year were largely driven by rationalisation incurred in Carclo Technical Plastics and totalled £4.9m, of which the cash cost was £0.6m (FY23: £2.2m).

Net debt of £29.5m

(FY23: £34.4m). Net debt has reduced by £4.9m from prior year, reflecting strong working capital management and the increase in operating performance, placing Carclo on a sound footing for the future. On 5 July 2024, the Group successfully extended the facilities with the Company's lender for the multi-currency term and revolving facilities agreement to 31 December 2025.

Strategic highlights

Fortifying our financial position for long-term success

Delivered reduction of our net debt to uEBITDA ratio through streamlining our asset base for better returns, optimised our working capital position and focused capital expenditures.

Factory specialisation and standardisation

Completed the reconfiguration of our APAC and EMEA facilities for specific product lines and standardising production processes, which has led to substantial gains in efficiency and product quality, supported by the integration of advanced manufacturing technologies and targeted workforce training. The reconfiguration in the US in ongoing.

Organic growth through strategic partnerships

Expanded and deepened our strategic alliances to deliver process optimisation, new back-end automation and enhanced material utilisation.

Embracing sustainability for a greener future

The "Zelda" project delivered strong results, which reduced external waste through material utilisation improvements. Our energy focus led to a reduction in tonnes of CO_2e per £1m of revenue. 98% of electricity used in the United Kingdom now comes from renewable resources.

Empowering unity, driving breakthroughs

Through "One Carclo" we launched employee engagement initiatives, promoting diversity and inclusion, and encouraged cross-functional teamwork between all sites, all of which drives our performance.

Sustainability highlights

Leading the way in sustainability

Carclo is advancing "Project Zelda", our ground-breaking initiative to reduce waste and enhance energy efficiency. Initiating our shift to renewable energy in the UK exemplifies our commitment to sustainability.

Strengthening supply chain sustainability

In partnership with EcoVadis, we've elevated our sustainability practices throughout our supply chain, placing us in the top 35% of companies globally – a significant rise from last year's top 50%.

Engaging communities, creating lasting social value

We actively promote and encourage our employees to engage in community support through initiatives like volunteering for charity events, such as the Royal Marsden Hospital walk, and partnering with educational institutions for skills development and training. Additionally, we prioritise safety and sustainability, celebrating milestones like accident-free days across our sites and investing in energy-efficient technologies and green community projects.

1. Underlying earnings per share is defined as earnings per share adjusted to exclude all exceptional items. A reconciliation between the Group's loss to underlying profit used in the numerator to calculate underlying earnings per share can be found in note 11.
2. Underlying operating profit is defined as operating profit before exceptional items. A reconciliation to statutory figures is given on pages 163 and 164.
3. Underlying earnings before interest, taxation, depreciation and amortisation ("uEBITDA") is defined as EBITDA before exceptional items. A reconciliation to statutory figures is given on pages 163 and 164.

"One Carclo"

"One Carclo" embodies our unified quest for excellence, blending our mission, ambition and values. Through innovation, collaboration and sustainability, we deliver premier solutions for global industries, ensuring value creation for all our stakeholders.

Our mission and ambition

Our mission is to be the preferred and trusted partner for precision components worldwide, delivering class-leading customer satisfaction through our global presence and technical excellence centres, offering innovative solutions tailored to our customers' needs.

We focus our Design & Engineering and Manufacturing Solutions on four key markets:

Life Science

Precision Technology

Optics

Aerospace

We are dedicated to providing comprehensive high-precision critical solutions, serving as a one-stop shop from initial development through production and assembly, and logistics. Our focus remains on meeting customer needs and fostering growth through expanded offerings and prioritised development with existing clients.

Our core values

We seek a better way
Continuously innovating to enhance safety and performance, we embrace entrepreneurial spirit to expand boundaries and improve tomorrow.

We operate as "One Carclo"
We champion unity, pooling our collective strengths with partners to achieve greater success and drive meaningful improvements.

We are always open and honest
Upholding the highest ethical standards, we ensure all our dealings are transparent, respectful and inclusive.

We drive long-term sustainable growth
Committed to ethical practices and reducing our environmental impact, we focus on sustainability for positive, lasting social impact.

We always act responsibly
By managing our resources prudently, we ensure sustainable growth and long-term value for all stakeholders.

At a glance

Carclo's global reach encompasses all major markets, covering the North American, EMEA and APAC regions. As a preferred and trusted partner to serve customer needs, we prioritise employee safety, growth and training to fuel our ongoing success.

1,059 employees

13 sites[1]

Dive into Carclo's core divisions: Carclo Technical Plastics ("CTP") and Aerospace. Both divisions focus on precision, quality and innovation. We offer expertise in advanced tooling, automation, design engineering, specialised manufacturing and the latest aerospace technologies, ensuring high-quality worldwide.

Performance by division

Carclo Technical Plastics

Design & Engineering

£21.6m
Revenue +10.8% at constant currency

Manufacturing Solutions

£103.5m
Revenue -8.3% at constant currency

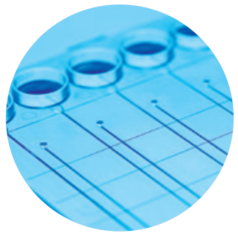
Aerospace

Aerospace

£7.6m
Revenue +15.2% at constant currency

"Carclo's future growth and potential opportunity is bright with a focused team executing the revenue operations strategy to boost organic growth with our faithful existing client base, whilst leveraging our core competencies in pursuing new market opportunities, in both the precision tech and life science sectors. We strive to continue to leverage powerful partnerships in collaborating with our customers and suppliers to deliver maximum value to all key stakeholders."

Brandon Swinteck, Chief Revenue Officer



1. There were 13 sites operational in FY24. This included the Derry site, which closed on 31 March 2024, and the closure of the Tucson site, which was announced on 14 February 2024.

Chair's statement

"Carclo has continued to face a number of external challenges during the year and I am delighted with the way in which the team has responded to those challenges. It is pleasing to see the actions the team has implemented starting to bear fruit with a stronger second half to the year."

Joe Oatley
Chair

Dear shareholder

The Group faced significant external challenges during the year to 31 March 2024, including continued high raw material costs, rising labour costs and a temporary dip in demand for some of our medical diagnostics products. I am very encouraged by the way that our team has responded to these challenges, implementing our strategy of building a strong foundation based on operational excellence, which then provides a stable base from which we are able to grow. It is positive to see that the actions our team have taken are bearing fruit in terms of our financial performance, with a strong finish to the year delivering a substantially stronger second half.

Whilst the process of building our strong foundations is not yet complete, we are now in a position where we can turn our efforts towards delivering growth, both top and bottom line, whilst continuing to safeguard our balance sheet and deliver good cash conversion. Our strategy for growth is first to develop our existing customer base, providing them with complete solutions including design, manufacture, assembly and logistics support. We will build on this by expanding into adjacent market sectors and ultimately we aim to develop proprietary offerings where this can be done alongside our bespoke offerings for our existing customer base. You can read more about our strategy on pages 9 to 11.

Board changes

We have made a number of changes to the Board both during the year and after the year end. Key amongst these changes has been the appointment of Eric Hutchinson as Chief Financial Officer ("CFO") in August 2023, following the departure of David Bedford. Eric was previously a Non-Executive Director on the Carclo plc Board and has been able to combine his existing knowledge of the Group and extensive previous industry experience to make an immediate positive impact. The Board has also been strengthened post year end with the appointment of Natalia Kozmina as a Non-Executive Director in April 2024. Natalia brings to the Board both broad business and human resources experience in industries closely aligned to those of Carclo's customers. These changes are discussed in more detail in the corporate governance report on pages 44 and 48.

I would like to thank all of the Board members for their continued support and counsel, both over the last year and as we look to the future.

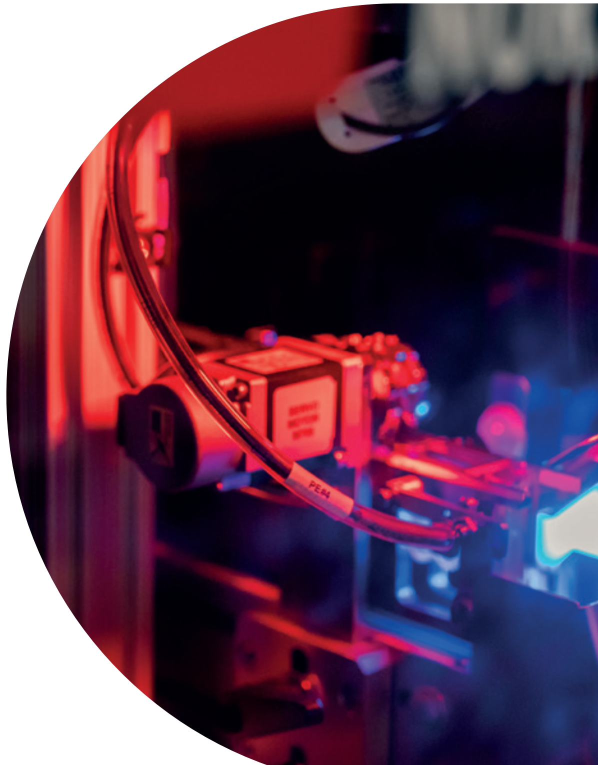
Board evaluation

We once again carried out an externally led evaluation of the performance of the Board during the year. More details of this review can be found in the corporate governance report on page 49.

Our people

Our people have worked incredibly hard over the past year to deal with the challenges in front of them, delivering high-quality solutions to our customers whilst driving the changes needed within our business to build our foundation for future success. I am proud to be able to lead this talented group of people and, on behalf of the Board, I would like to thank all of our employees for their continued hard work and commitment.

Joe Oatley
Chair
26 July 2024



Chief Executive Officer's review

"Amid a dynamic business environment, Carclo has advanced all strategic priorities through team effort as One Carclo, achieving a step change in return on sales and return on capital employed towards our medium-term goals."

Frank Doorenbosch
Chief Executive Officer

Dear shareholder

As we wrap up the year, Carclo's journey through a dynamic and challenging business environment has strengthened our foundation, pivotal in reshaping Carclo as a premier strategic partner for multicomponent solutions in the life sciences, precision technology, optics and aerospace markets. Carclo enhances functionality and performance with our comprehensive offerings, including design and engineering for moulds, injection moulding, assembly, decorating, and supply chain solutions. Our sophisticated medical devices, essential industrial components and aerospace parts meet stringent safety standards. Carclo plc is a trusted, one-stop shop dedicated to addressing the complex needs of our global customers.

Despite significant changes in our organisation, we successfully reduced lost time incidents. By mandating the reporting of all incidents, near misses and hazards, we gained more precise insights into health and safety risks. Our relentless drive for health and safety has led to a positive trend in lost time incidents per 100,000 hours worked. Our second Carclo Safety Week was highly successful, driving motivation, participation and positively impacting our business.

Carclo faced a number of external challenges during the year, including continued high inflation and interest rates, supply chain disruptions and fluctuating raw material costs. We overcame these obstacles through strong teamwork as One Carclo, leveraging our collective expertise and resilience to adapt and thrive in a rapidly changing environment.

During the year we continued the implementation of our EMEA restructuring plan, announced the closures of the Derry and Tucson sites and reallocated the assets initially installed for the manufacturing contract that did not materialise. Our strategic focus, rigorous cost management, optimised operational efficiencies and strong supplier relationships have allowed us to navigate these challenges effectively. Our investment in advanced manufacturing strategy and technologies has bolstered our production capabilities, ensuring we remain agile and competitive in a volatile market.

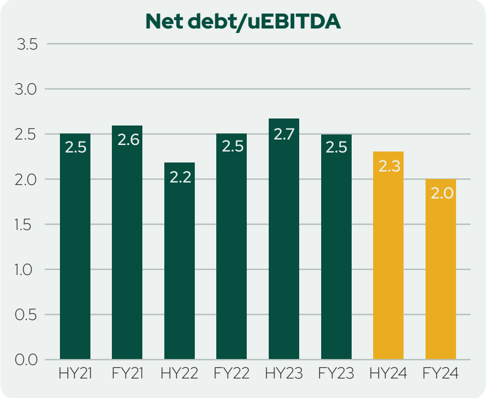
These efforts have addressed immediate challenges and laid a solid foundation for sustainable growth and profitability. Our commitment to continuous improvement and innovation ensures that we can capitalise on future opportunities and deliver long-term value to our stakeholders.

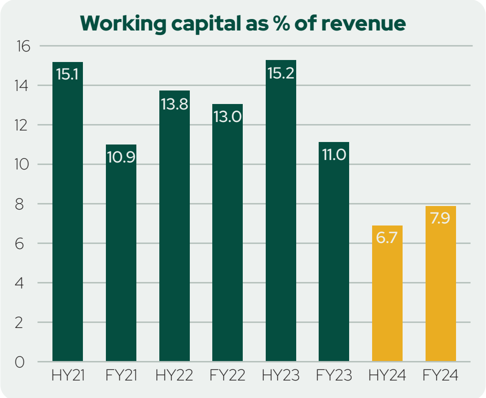
For FY24, we set out four key priorities to improve performance to achieve our strategic goals: strengthening balance sheet, maximising asset utilisation, improving margins over top-line growth, and maximising the value from our global footprint. Our exceptional team has risen to the occasion and delivered progress on all fronts.

Strengthening balance sheet

We have fortified our financial foundation through strict cash management, selective capital investment, improved working capital positions and enhanced business performance. These measures have prepared us to weather economic uncertainties and seize growth opportunities.

As a result, our net debt to uEBITDA leverage in FY24 is now 2x (FY23: 2.5x) and working capital as a percentage of revenue has been driven close to our target range of 5.0% and 7.0%.



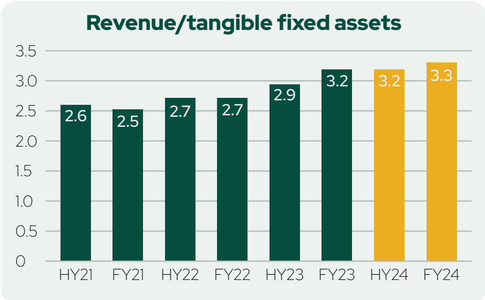


For balance sheet figures used in the graphs within the Chief Executive Officer's review, the data is as at the balance sheet date, being 30 September for HY and 31 March for FY. For income statement figures, these are the trailing twelve-month figures up to the balance sheet date.

Chief Executive Officer's review continued

Maximising asset utilisation

Our team has effectively realigned our EMEA operations and made significant strides in the US. The strategic closure of our short-run facility in Derry and the consolidation of resources and talent in Pennsylvania, which includes the forthcoming closure of our Tucson site, have optimised our operations, enhancing our asset utilisation as evidenced by increased revenue per pound invested in net fixed assets.



Improving margins over top-line growth

In our CTP division we have implemented a range of initiatives to enhance operational efficiencies and optimise our product mix. We have increased profitability by implementing factory specialisation, with different facilities focusing on medium and long-run products. Leveraging advanced manufacturing technologies and fostering strong customer relationships has improved our margin, enhancing the value of projects.

Maximising the value of our global footprint

We have leveraged our international presence to both deliver local service and support our global customers as well as to drive efficiency and innovation through a number of strategic actions in FY24. We have implemented factory specialisation for medium and long runs in the EMEA region, which has streamlined our operations and improved productivity. In the US we ceased our short-series production, closing our Derry, NH facility.

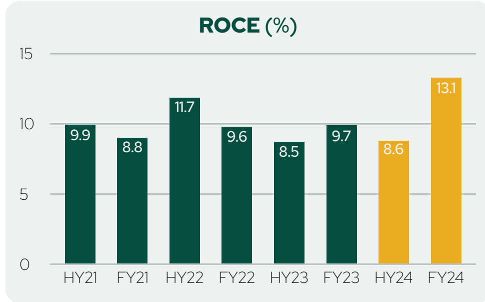
We are optimising our operations by focusing production and talent in Pennsylvania, leading to the recently announced closure of our Tucson facility. We are equipping our facility in Greensburg, PA, to become an assembly-focused site, resulting in more efficient specialised operations in the different PA sites, mirroring our successful EMEA model. The improved Greensburg facility is also our Design & Engineering ("D&E") centre in PA, enhancing customer support and serving as a training hub for our technical talent.

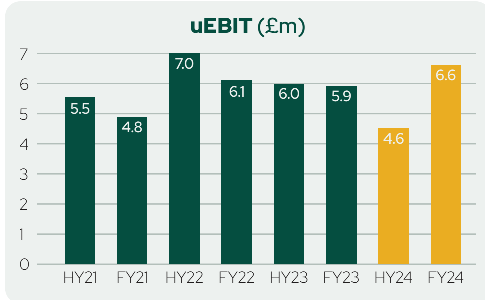
We have bolstered our global production capabilities by reallocating assets strategically and investing in advanced sustainable manufacturing technologies. These actions ensure we remain competitive, optimise operational efficiencies, and deliver superior value to our customers. Our global strategy enhances our market position and reinforces our commitment to continuous improvement and long-term profitability.

Financial overview

In a year of unpredicted challenges and significant victories, we made significant progress in improving both our financial health and the robustness of our operations, reflecting the effectiveness of our strategic decisions. Our return on capital employed ("ROCE") increased from 9.7% in FY23 to 13.1% in FY24, as shown in the chart to the right. We delivered an improved contribution margin over last year of 36.0% on a revenue of £132.7m. Our FY24 underlying EBIT reached £6.6m, marking an increase of 21.8% from FY23 at a constant exchange rate.

Cash generated from operations grew to £15.6m, up 100.8% against the prior year. We maintained streamlined operational cash management, resulting in working capital as a percentage of revenue at 7.9% in FY24 (FY23: 11.0%). Additionally, we reduced our net debt/uEBITDA from 2.5x to 2.0x in FY24, highlighting the effectiveness of our debt management strategy.





Chief Executive Officer's review continued

Strategic achievements and operational highlights

Despite challenging market conditions, Carclo has demonstrated remarkable resilience and made notable progress across our business units over the past year. Our core divisions have delivered improved performance, achieved significant milestones, and driven our success through their dedication, capability and innovative approaches.

CTP division: Innovating for the future

Design & Engineering ("D&E"): Precision engineering excellence

Our Design & Engineering business has thrived, driven by our dedication to precision and excellence in every customer project.

Activity has focused on "Asset Revitalisation", a distinctive programme to support operational excellence by upgrading existing manufacturing systems, which will continue in the coming year.

In the US we have invested in our first technology centre and developed in-house training programmes for process operators, ensuring continuous education for our team and enhancing our processing knowledge. These investments have streamlined our operational efficiency and increased client satisfaction, positioning us for sustainable growth and unmatched value delivery.

Strategically, we are introducing D&E as a standalone service, strengthening our market position and unlocking new growth opportunities. The expanded application of our D&E capabilities allows us to serve a broader client base and cement our position as precision engineering leaders.

Manufacturing Solutions ("MS"): Elevating partnerships through integrated solutions

Our Manufacturing Solutions business has made significant progress in operational excellence and strategic realignment, despite an 8.3% revenue decline on a constant currency basis.

Including the effect of currency movements, CTP MS experienced a year-on-year revenue decrease from £116.7m to £103.5m, influenced by several strategic and market factors. The reduction in revenue was largely due to the cessation of PCR COVID-19 testing, which impacted our customers' volumes. Additionally, we strategically curtailed short-run and loss-making business segments, further refining our focus on sustainable and profitable growth. Although these actions led to a decrease in revenue, they position us for a stronger and more stable financial future.

The successful execution of our factory specialisation strategy in EMEA has been pivotal to our improved performance. By focusing on advanced process optimisation, we have significantly increased throughput, product quality and competitiveness, achieving a structural increase in our overall equipment effectiveness ("OEE") and maintaining a strong asset utilisation of 3.3x. OEE is our comprehensive metric that evaluates how effectively our manufacturing operation is utilised by measuring three key components: availability, performance and quality. These advancements in OEE have reduced operational costs and delivery times, benefiting our clients through improved service delivery and reliability.

Continuing our strategic realignment, we are centralising our North American assets and talent in Pennsylvania which will further enhance our global platform. This shift allows us to achieve more significant economies of scale and foster a more agile production environment, enabling us to adapt swiftly to market fluctuations and meet evolving customer demands.

CTP profitability

Focusing on margins, we have achieved an increase in contribution margin compared to prior year, resulting in a remarkable 28.6% increase in uEBIT for our CTP business compared to FY23. Our margin improvement demonstrates the effectiveness of our strategic initiatives and positions us to seize future growth opportunities.

By continuing to drive operational excellence and strategic alignment, we are well positioned to strengthen our manufacturing capabilities and deliver unparalleled value to our customers.

Aerospace division: Soaring to new heights

Our Aerospace division has achieved record revenue of £7.6m (FY23: £6.6m) and near-record profits, successfully navigating the post-COVID-19 aerospace recovery. Growth continues in our high-end engineering and machining product lines, driven by our development in precision machining techniques.

Our strong performance in Southeast Asia, where we outpaced the high regional market growth, now accounts for nearly 10% of our aerospace revenue, highlighting our quality-driven approach.

A key driver of our success is the robust growth in our machined precision solutions. We are expanding our precision machining capabilities and infrastructure in both our UK and French sites to support this success. These investments solidify our position as a preferred partner in the aerospace supply chain, enabling us to deliver large-scale, innovative solutions. By collaborating closely with our customers, we develop tailored solutions that provide a competitive edge and strengthen long-term partnerships.

Moving forward, our Aerospace division is poised to leverage its strengths, adapt swiftly to market changes, and deliver exceptional value to customers and stakeholders. With record sales, an improving supply chain and targeted investments, we are well positioned to maintain our growth momentum, solidify our leadership in the aerospace niche and expand in the South Asian market.

By continuing to prioritise quality, reliability and innovation, our Aerospace division will capitalise on widening its offering in a growing market and drive sustainable growth. We will further strengthen our industry relationships, expand our capabilities and deliver cutting-edge solutions that meet the evolving needs of our global aerospace customers.

Chief Executive Officer's review continued

Sustainability commitment

Sustainability is a cornerstone of our strategic vision. Over the past four years, we have improved our CO_2e efficiency year by year, reducing tonnes of CO_2e per £1m of revenue from 155.3 to 145.7, which is particularly commendable given the recent 7.5% reduction in revenues. Our commitment to sustainable practices includes Project Zelda, which is already showing promising results in improved process and material management – an essential second step in our journey to operational excellence. Additionally, we have enhanced our EcoVadis score, moving from the top 49% of companies to the top 35%, reflecting our dedication to exceeding industry standards.

By investing in greener technologies and renewable energy, and fostering a culture of sustainability, we drive long-term environmental and social benefits. Our commitment to sustainability strengthens our market position and positively impacts the planet, aligning with our goal of delivering superior value to our customers and stakeholders.

Looking ahead: strategic focus

As we look ahead, I am excited and optimistic about the opportunities that lie before us. The team completed the initial steps of building the foundation and specialising our factories in Asia and EMEA, and the US team is making good progress on their journey. The improvements we can still make in material and processing optimisation will be the next step on our long-term journey to "Lights Out Manufacturing".

Our new procurement organisation is driving a shift towards strategic sourcing and stronger supplier partnerships. By fostering these collaborative relationships we anticipate enhanced business performance in the short term and sustained improvements in the medium term, including increased efficiency, cost savings and a more resilient supply chain.

In this rapidly evolving digital landscape, we must heighten our vigilance in control and reporting. To build a system that ensures strategic alignment, we need to streamline and standardise our business support processes, much like we have done in our manufacturing operations. By implementing best practices and driving operational efficiency, we can enhance our ability to respond swiftly to market changes and deliver consistent, high-quality outcomes for our stakeholders.

We understand that the rigorous validation processes surrounding our precision solutions can lead to delays in scaling up new projects and products. However, we are working on exciting new initiatives to diversify our customer base, expand into new markets and broaden our product portfolio. While the path to full-scale manufacturing takes time, we are committed to bringing innovative solutions to our clients as efficiently as possible.

In the long term, we aim to develop and integrate proprietary technologies and products to enhance our market offering. While we are excited about the potential of our focused innovation incubator engine to drive this development, we do recognise the importance of demonstrating immediate and tangible growth. By prioritising our medium-term growth initiatives, we aim to provide confidence to our stakeholders that we can achieve sustainable and profitable growth while carefully advancing our long-term strategic goals. This balanced approach reassures stakeholders that we are committed to walking before we run, ensuring steady progress and minimising risks associated with the incubator.

Our unwavering commitment to enhancing the customer experience is central to this strategic vision. We will deliver high-quality products and services that exceed expectations. Equipped with a great team, a clear strategic vision and a robust financial position, we can navigate the challenges ahead and emerge as a more vital, resilient organisation. Our steadfast dedication to our customers and employees will be crucial to our success.

With this multifaceted approach, I am confident that we will solidify our position as an industry leader in the medium to long term and continue to create value for all our stakeholders. I look forward to embarking on this journey together and achieving great things.

Outlook

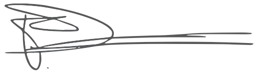
In the short term we remain focused on building the strong foundation for our business. We expect that we will continue to deliver margin expansion in FY25, as we see the benefits of our US manufacturing rationalisation and improvement programme. This margin expansion is anticipated to continue into FY26 as we see the full-year benefits of our operational optimisation process, continuing our journey towards our strategic goals of 10% return on sales and 25% return on capital employed. We will focus on disciplined cash management and anticipate that we will again deliver strong operational cash conversion in FY25.

In the medium to long term, as we move into the expansion phase of our strategic plan, we anticipate delivering strong top-line growth driven by both exposure to structural growth markets and growing our share of wallet. As we grow, we will maintain our capital and operational discipline to ensure this is converted into strong earnings growth to deliver long-term value creation for all of our stakeholders.

Closing remarks

In closing, I am deeply grateful for the unwavering dedication and hard work of our Carclo team. Their commitment has been instrumental in driving our achievements.

To our valued shareholders and customers, your continued trust and support are the fuel that powers our relentless pursuit of excellence. Together, we look forward to a future filled with boundless opportunities and groundbreaking innovations. Thank you once again for your steadfast support. Your partnership inspires us to reach new heights and create lasting impact.



Frank Doorenbosch
Chief Executive Officer
26 July 2024

Our strategy

Carclo's strategy is built on three core pillars: Foundation, Expansion and Proprietary.

The Foundation of Carclo:

- Build a safe, healthy, inclusive and sustainable business.
- Continuous drive for operational excellence, including optimisation which enables effective back-end automation, leading to our long-term objective of self-sufficient production.
- Build a global procurement organisation to leverage our global position and build strong supply partnerships.
- Streamline and standardise reporting and tight internal controls.

Expansion builds on a strong foundation and uses the momentum in the markets in which we operate. We aim to broaden our market presence, both with our current customers and by expanding our customer base and market horizons.

For long-term growth, we are focusing on proprietary technologies and products. This involves investing in research and development to create proprietary technologies and products that meet evolving customer needs and drive long-term competitive advantage.

Together, these pillars provide a comprehensive framework for Carclo's growth and success, ensuring we maintain a strong foundation whilst actively pursuing opportunities for expansion and innovation.

> **"Through standardisation, continuous improvement, value stream mapping, employee empowerment and customer focus, our strategic pillars have paved the way for operational success and secured our position as a sustainable organisation."**
>
> **Gary Allan, Chief Operating Officer**

Our strategy

Proprietary
Technology and product incubator

- Harness and excel innovation

Expansion
Unlocking multifaceted growth

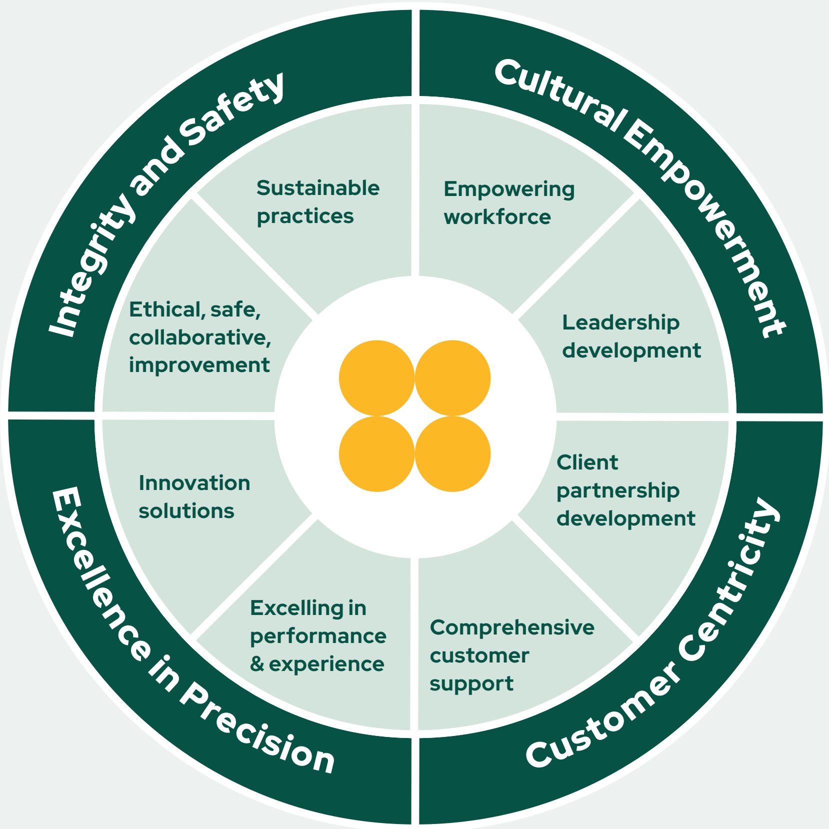
- Market momentum
- Grow share of wallet
- New customers
- Strategic market extension

Foundation
Building a robust operational base

- Health & Safety, Inclusiveness and Sustainability
- Operational excellence
- Procurement transformation
- Control and reporting evolution

Our strategy continued

Our strategic objectives



Precision at the heart of progress

At Carclo, we harness precision and innovation to create a safer, more sustainable tomorrow. United under "One Carclo", we pledge to advance technology and nurture our global community, ensuring every solution not only meets but enriches the lives it touches.

Ethical, safe, collaborative, improvement

An unwavering commitment to health and safety, ethics, collaboration and continuous improvement.

Sustainable practices

We will foster a culture of employee engagement and development to support our focused capital investment, tight management of working capital, and drive improvements in efficiency, yield, quality and safety.

Empowering our workforce

Attracting and retaining premier talent by fostering an inclusive, diverse culture that empowers and develops employees to drive business growth.

Leadership development

We empower our leaders through tailored development and by fostering innovation, excellence, and inclusivity in order to drive Carclo's strategic growth.

Client partnership development

We will develop strategic partnerships with customers and suppliers to capture and create more value together, improving our global footprint and delivering efficiently to our customers for both Design & Engineering and Manufacturing Solutions.

Comprehensive customer support

Supporting our customers globally from the initiation of development through production and assembly.

Excelling in performance and experience

Delivering best-in-class operational performance, financial results and customer experience.

Innovation solutions

We will harness the power of new technologies, including automation and artificial intelligence ("AI"), to increase operational efficiency, improve quality and stay at the forefront of our industry, while maximising the value of our global footprint.

Our strategy continued

Our strategic priorities

Strengthening balance sheet

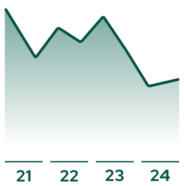
Strategic capital investments target improved efficiency, yield, quality, and safety, complemented by rigorous working capital management.

Net debt/uEBITDA

2.0x

FY23: 2.5x

Working capital as % of revenue



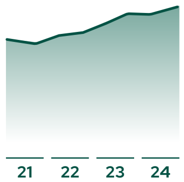
7.9%

FY23: 11.0%

Maximising asset utilisation

Harmonising processes and equipment across sites, while fostering organisation-wide exchange of best practices.

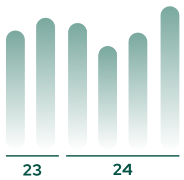
Revenue/tangible fixed assets



3.3x

FY23: 3.2x

Average machine runtime in hours



12.68

FY23: 12.89

Improving margins over top-line growth

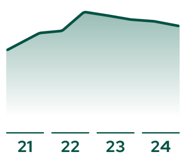
Implementing a Group-wide initiative to enhance customer value while optimising costs and operational efficiency.

Contribution margin (at constant currency)

36.0%

FY23: 32.0%

Revenue (at constant currency)



£132.7m

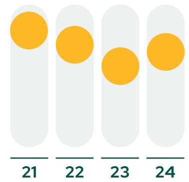
FY23: £139.0m

Maximise the value of our global footprint

Specialising factory operations to boost focus, efficiency, quality, and performance, ensuring streamlined delivery to our global customer base.

Factory specialisation (progress indicator)

Customer satisfaction



90%[1]

FY23: 93%[1]

1. vs best in class

Absolute score

Our markets

Life Sciences

Precision, Care, Innovation

At Carclo, we leverage precision engineering and innovative technologies to support the life sciences sector. Our advanced solutions for diagnostics and drug delivery systems improve patient care and allow medical innovations, ensuring that reliability and accuracy are central to advancing healthcare.

Market trend

There is an increasing demand for rapid and accurate diagnostics solutions and convenient drug delivery systems.

Market drivers

Growth in personalised medicine, the rise of chronic diseases and increasing self-care.

Carclo's response

We are expanding our range of precision components to enhance the accuracy and reliability of diagnostic devices and more sustainable drug delivery solutions, facilitating faster, more personalised treatment and focus on sustainable solutions.

Precision Technology

Reliability, Efficiency, Technology

Carclo stands at the forefront of high precision engineering with components that redefine reliability and efficiency. From ATMs to advanced optical systems, our products are essential to the seamless operation.

Market trend

Surge in home automation and digital transactions.

Market drivers

Technological advancements and increasing consumer expectation for efficiency and security. Increase in digital payments, and a reduction in the use of cash, means there is an expectation that the demand for ATMs will fall over the longer term.

Carclo's response

Design and production of ultra-precise and reliable components that enhance the performance and durability of electronic systems in financial and consumer electronics industries. Focus on alternative end-user markets and products, in place of ATMs.

Optics

Performance, Sustainability, Vision

Carclo illuminates the path forward in speciality optics with pioneering LED light management solutions. Our expertise enables enhanced performance and sustainability, catering to the growing demands of energy efficiency and advanced optical applications across different sectors.

Market trend

Growing focus on energy efficiency and enhanced lighting solutions.

Market drivers

Environmental regulations and technological innovations in architectural and hydroponic LED technology.

Carclo's response

Develop advanced light management systems that significantly improve energy efficiency and performance across various applications, supporting sustainable development goals.

Aerospace

Safety, Precision, Exploration

Focusing sharply on aerospace, Carclo elevates industry standards by delivering exceptionally precise and durable components that are crucial for the safety and performance of aircraft. Our commitment to precision and innovation propels the aerospace sector to new heights.

Market trend

The growing activity in the aviation sector is boosting demand in our traditional markets, and whilst future aircraft designs will gradually reduce reliance on cables, there is a significant rise in demand from the emerging South Asian market.

Market drivers

Increased expectations for quality and reliability, coupled with a resurgence in commercial air travel, are driving the market forward.

Carclo's response

We are capitalising on the growth of precision machined components by providing cutting-edge, aerospace-grade parts that meet the stringent safety and functionality requirements of modern aerospace engineering. We are also expanding our presence in the South Asian market for cables, wires and machined components to leverage this region's rapid growth.

Business model

Embracing a global mindset and implementing local strategies, we serve our international customers with exceptional standards and innovation facilitated by our global manufacturing platform.

Operating model

CTP division

Design & Engineering
As a project-centric organisation, we deliver unparalleled global support across all phases of mould and automation design, from initial concept to final validation. Our commitment extends beyond mere execution to encompass groundbreaking innovations in both processes and products. Driven by a steadfast dedication to service, we consistently surpass client expectations, embedding a culture of excellence and innovation in everything we do.

Manufacturing Solutions
Our global manufacturing platform spans the US, EMEA and APAC regions, with specialised factories that provide extensive technical support. We focus on precision injection moulding, creating complex multi-component assemblies and full service supply chain solutions for our customers. These strategic capabilities allow us to offer customised, best-in-class products that cater to the diverse and specific needs of our clients across different industries and geographies. By aligning our operations with the unique requirements of each market, we ensure top-tier service and product excellence worldwide.

Aerospace division

Aerospace
Our facilities, boasting specialised certifications, are committed to manufacturing precision solutions of consistently high quality for the aerospace industry. We rigorously adhere to the most stringent safety standards, ensuring that every product meets the exacting requirements of this critical field.

Competitive advantage

Customer satisfaction
Our commitment to surpassing customer expectations has cemented their trust in our ability to consistently deliver superior value.

Operational excellence
We are dedicated to producing consistently high-precision components that meet rigorous customer standards, ensuring operational excellence at every step.

Responsive culture
Our agile decision-making processes, supported by a streamlined management structure, enable us to excel in dynamic markets.

Global footprint
We operate across three continents, merging global standards with local expertise to serve our prestigious international customer base.

Value creation

Shareholders
We focus on maximising returns and securing long-term growth through strategic investments.

Suppliers
Our partnerships are built on a foundation of mutual trust and shared objectives, which are key to maintaining a reliable supply chain.

Debt providers
We uphold financial stability and meet our obligations with responsibility, maintaining the confidence of our financial partners.

Pension fund
Our approach to pension fund management is to ensure long-term security for our beneficiaries.

Employees
We are committed to creating a rewarding and inclusive work environment that promotes employee growth and professional development.

Local communities
Our engagement with local communities is designed to have a positive societal impact, reflecting our commitment to social responsibility.

Customers
Delivering exceptional quality and innovative solutions for customer success.

For more detailed information on our strategic approaches, please refer to pages 17 to 19.

Partnerships in progress: Carclo's impact

Heritage and craftsmanship

Celebrating a century of excellence, Carclo marks 2024 as a milestone year, woven from a rich heritage of craftsmanship. Established in 1924, our company has been propelled by an unwavering dedication to precision, fuelled by a deep passion for innovation and a strong commitment to the people behind our processes. This 100-year legacy positions Carclo not just as a participant, but as a pioneer in high-tech industries where tradition and reliability are as prized as our cutting-edge solutions.

Our heritage forms the cornerstone of our identity, built on decades of mastering complex technologies and nurturing skilled artisans. Their expertise is evident in the superior quality of our products today. Carclo's hallmark is this synthesis of historical mastery and modern innovation, inspiring trust and pride among our business partners who see in us a steadfast ally, whose provenance guarantees today's excellence and tomorrow's potential.

In an era dominated by fleeting trends, Carclo stands distinct, upholding the timeless values of meticulous craftsmanship. Our commitment ensures that every component we manufacture and every solution we provide is imbued with a legacy of quality that has been refined over a century.

As we commemorate this centennial, Carclo looks forward with a spirit rejuvenated by our past, poised to face future challenges with the same resilience and integrity that have been our guiding principles. We invite our stakeholders to continue this journey with us, a partnership strengthened by a century of achievements and driven by an unyielding pursuit of excellence.

Innovation for a better world

At Carclo, innovation transcends technological advancement – it propels humanity forward. Celebrating a century of leadership in life sciences, optics and aerospace, our work underscores our commitment to societal progress, enhancing health, and exploring new frontiers. This commitment drives us to not only meet but exceed the expectations of our partners, who share our vision for a better world.

In the realm of life sciences, our technologies revolutionise diagnostic processes and treatment modalities, directly saving lives and significantly improving patient outcomes. Through precision engineering, Carclo develops medical devices that are more effective, reliable and accessible, thus advancing global health initiatives and enriching quality of life worldwide.

In aerospace, our efforts extend the boundaries of aviation and exploration. Our highly reliable and precise components are crucial for the safety and success of missions that broaden our understanding of the universe, driving technological progress and inspiring future explorers.

Carclo's commitment also encompasses sustainability. Initiatives like "Zelda", which targets a 50% reduction in waste, and our investment in 100% carbon-free energy solutions at our main EMEA sites, underscore our dedication to environmental stewardship.

Through these endeavours, Carclo cultivates a deep sense of purpose and partnership with our clients. United by the common goal of leveraging innovation for tangible societal benefits, every project and product we develop is a step towards a future where technology not only enhances human capabilities but also makes our world safer, healthier and more accessible.

Investing in Carclo means investing in a future shaped by pioneering innovation that not only leads industries but also contributes significantly to the welfare of our planet and its people. Together, we are not just engineering solutions; we are engineering a better tomorrow.

Precision as a promise

At Carclo, precision is more than just a standard – it's a promise we make to all our stakeholders. Central to our operations, this commitment ensures unwavering reliability and impeccable quality, driving us to excel in sectors where there is no room for error. Our rigorous attention to precision means that every product not only meets but also sets industry benchmarks, fostering deep trust and security among our partners.

In fields where even the slightest deviation has significant consequences, such as aerospace and medical devices, the stakes are exceptionally high. Recognising this, Carclo invests in cutting-edge technologies and continuous professional development for our skilled workforce. Such commitments enable us to consistently achieve and maintain the highest standards of precision and reliability, safeguarding the trust our clients place in us.

This assurance permeates every aspect of our operations – from the initial design and production to the final touches in decoration and assembly. It's a commitment that goes beyond the tangible products we create and is manifest in every relationship we maintain with our clients. By ensuring our components perform flawlessly under the most demanding conditions, we not only meet but frequently exceed client expectations.

This relentless pursuit of precision resonates strongly with our clients and investors, especially in sectors where the cost of failure is intolerable. It provides them with peace of mind, knowing they have partnered with a company that not only understands the high stakes but is also fully equipped to meet them.

For stakeholders considering a partnership with Carclo, our precision promise assures you are investing in a future where excellence is the standard, and every challenge is met with unmatched quality and precision.

Partnerships in progress: Carclo's impact continued

The power of partnership

At Carclo, we understand that our achievements gain strength through the power of partnership. Our collaborative approach with strategic customers and suppliers goes beyond fulfilling requirements; it creates synergy that transcends traditional customer-vendor dynamics. This ethos of collaboration is deeply embedded in our culture, driving us to forge connections that are both professionally rewarding and personally enriching, and fostering a sense of community with each interaction.

Our partnerships are founded on mutual trust and shared ambitions. By working closely with our diverse partners from sectors including life sciences, aerospace and precision engineering, we grasp their unique challenges and contribute to their most ambitious goals. Such collaborations often lead to breakthrough innovations that not only meet but set new industry standards, illustrating how combined efforts can achieve greater success than individual endeavours.

For instance, our collaboration with a leading aerospace company involved developing critical precision components for a new aircraft design. This partnership extended beyond supply; Carclo engineers worked alongside client teams through design, testing and implementation phases, ensuring meticulous adherence to every specification.

In the life sciences sector, our partnership with specialist material scientists has initiated the development of a product line designed to optimise material utilisation and review new materials. This partnership enhances our sustainability journey, allowing Carclo to advance.

These stories exemplify the essence of our partnerships at Carclo, where each project is a journey of shared knowledge, mutual respect and collective ambition. For stakeholders considering an alliance with Carclo, our approach offers more than a business relationship – it promises a powerful partnership to achieve remarkable feats. Through these partnerships, we continue to drive innovation, foster community and achieve transformative results, demonstrating that together, we are indeed stronger.

Global reach, local impact

Carclo's extensive global presence is a testament to our commitment to driving innovation worldwide while significantly impacting the local communities we serve. Although our network spans several continents, we maintain a focused approach tailored to meet local needs, enrich local economies and enhance community wellbeing.

Our broad reach allows us to introduce advanced technologies and best practices into local markets. This strategy not only drives local innovation but also ensures the benefits of our technological advancements are accessible where they are most needed. By adapting our solutions to fit specific local contexts, we help communities overcome unique challenges and achieve sustainable growth.

At each of our facilities worldwide, Carclo actively engages with local suppliers and the workforce, contributing to economic development and job creation. Our investment in local talent development through training programmes ensures that the benefits of our global knowledge base are ingrained in the regional workforce, enhancing their skills and elevating employment quality.

Furthermore, our commitment to local communities extends beyond economic impacts. We participate in and initiate various community engagement programmes aimed at improving quality of life and supporting local initiatives. These efforts range from environmental conservation to supporting local education, reinforcing our role as responsible corporate citizens.

Through these initiatives, Carclo acts as a catalyst for local innovation and establishes strong bonds with each community we engage. For our clients and stakeholders, partnering with Carclo means collaborating with a company that influences global markets and is deeply committed to nurturing local industries and communities. Our dual focus on global reach and local impact instils a sense of pride among our partners and stakeholders, reinforcing their trust in Carclo as a company genuinely committed to making a worldwide difference while carefully addressing local needs.

Regional business review

CTP

Americas

Over the past year, Carclo has strategically restructured our operations in the US to sharpen our focus on medium to long-term business prospects and enhance profitability. This included closing the Derry, NH site due to its alignment with non-strategic, short-run production and taking the decision to consolidate our Tucson, AZ operations into our broader manufacturing network to produce closer to our customers.

In Pennsylvania, we've integrated four facilities into a single manufacturing organisation, optimising fixed costs and specialising each production cell with distinct focus on product ranges. This reorganisation supports the expansion programmes of our strategic partners and included the construction of two new cells.

Additionally, we've established a new Design & Engineering Centre to advance our talent development and maintain our commitment to innovation.

Despite a year-over-year sales decline, primarily from reduced PCR testing demand and curtailment, early impacts of our restructuring efforts have positively influenced our results in the second half of the year. We remain confident in our strategic direction and its capacity to foster sustained regional success.

Despite inflation and labour market challenges, our proactive strategies effectively safeguarded margins, setting the stage for future success.

Revenue

£66.2m

-6.6%[1]

CTP

APAC

In the APAC region, Carclo has historically partnered with global western world players to deliver their APAC demand; however, the emerging strength of local competitors has shifted market dynamics, with regional players gaining significant market share. In response, we have broadened our focus to engage more deeply with this rising local demand in the life sciences and high precision markets. While the validation of new products takes time, our strategic realignment is already bearing fruit, as evidenced by a major local contract win.

Additionally, to optimise efficiency and cost-effectiveness, we are transitioning production previously handled in the EMEA and Americas to local facilities within the APAC region. This move has enhanced our operational control, allowing us to better meet the demands of the local market.

We initiated the production of life science products in our Indian facility to cater to the growing local demand. We remain committed to expanding our footprint in the APAC region and seizing new growth opportunities in the APAC region for the APAC region.

Revenue

£13.6m

-14.9%[1]

CTP

EMEA

In the EMEA region, Carclo's focused strategy implementation has surpassed expectations, delivering exceptional value and significantly simplifying operational complexity. This strategic refinement has enhanced our performance and solidified our status as a reliable partner to key customers. Our proactive approach in managing growth with existing partners and initiating new projects portends a robust future.

Over the past year, we have successfully navigated the challenges of an energy spike, working collaboratively with all customers to mitigate impacts. Additionally, our energy efficiency programmes have proven exceedingly beneficial, contributing substantially to our operational success and cost management.

Last year, we capitalised on factory specialisation to serve our established customer base effectively. Our UK site excels in managing high-volume, long-run productions, while our East European facility in the Czech Republic demonstrates agility in quick changeovers and short series production for our strategic partners. This specialisation significantly boosted our competitive edge and strengthened our partnerships by aligning our capabilities closely with customer needs.

As we move forward, Carclo remains committed to advancing our operational capabilities in the EMEA region. We continue to refine our journey of factory specialisation, aiming to deliver superior value, enhance efficiency, and forge even stronger partnerships. The optics business has delivered a successful turnaround during the year, focusing on design and distribution of high-end specialised light management and automotive solutions.

Revenue

£45.3m

-0.5%[1]

Aerospace

Global

Carclo's aerospace division celebrated a record-breaking year, achieving unprecedented sales revenue and nearing record profits. Our growth has been robust not only in traditional markets but also through the expansion into the South Asian market with our high-precision products. We continue to compete based on the superior quality and reliability of our offerings rather than on price, reinforcing our strategic market position.

This year's success builds on the strong recovery we experienced after the lifting of COVID-19-related travel restrictions. Our focus on precision cables and safety systems has allowed us to maintain excellent margin levels and generate significant cash flow. Our unwavering commitment to quality has deepened relationships with strategic customers, enabling us to successfully navigate the challenges of the past while setting the stage for future growth.

Looking ahead, we anticipate continued expansion and success. The strategic positioning of our aerospace business remains robust, with further growth expected in the coming years through new strategic partnerships. We remain dedicated to delivering high-quality solutions that meet the evolving needs of our customers, ensuring Carclo's aerospace division continues to soar to new heights.

Revenue

£7.6m

+15.2%[1]

1. At constant currency.

Our stakeholders

At Carclo, we understand that strong relationships with our stakeholders are essential for our success. Every action and initiative is grounded in our commitment to open collaboration and meaningful engagement with each stakeholder group. Both the Board and the entire Carclo team are dedicated to maintaining and enhancing these vital connections.

Section 172

At Carclo plc, our core mission is to be the preferred and trusted partner for our global customers, delivering high-precision critical solutions and supporting our customers throughout the development and assembly processes.
This mission necessitates robust engagement with all our stakeholders to ensure we effectively fulfil our purpose and achieve our strategic objectives.

As Directors, we recognise and embrace our responsibilities under Section 172 of the Companies Act 2006, which guide us in promoting the success of the Company.

This duty compels us to consider various factors, including the interests of our stakeholders, when making decisions.

We are committed to diligent oversight of stakeholder engagement and to conducting our roles in accordance with the principles of good corporate governance.

Key decisions taken during the year

During the year we took decisions to close our Derry and Tucson US facilities as part of the restructuring of the US business. The restructuring aims to enhance operational efficiency and customer service to achieve operational excellence, financial stability and sustainable growth, ultimately driving value for both shareholders and customers.
Engaging with stakeholders formed a key part of the closure processes, including providing comprehensive transition assistance programmes for affected employees and planning the seamless transfer of operations with minimal disruption for customers and suppliers.

> **"Our team is moulded in a relentless pursuit of product innovation, upheld by uncompromising quality standards, and driven by an unwavering dedication to putting our customers at the heart of everything we do. We strive to redefine excellence in every interaction and product experience."**
>
> **Gabriel Acuña, Chief Procurement Officer**

Employee engagement

At Carclo, we understand that our employees are foundational to our success. Their perspectives shape our direction and our ongoing commitment to creating an outstanding work environment.

Material issues

- Ensuring effective communication of our core values.
- Fostering an entrepreneurial spirit.
- Attracting and retaining diverse talent.
- Promoting a culture of ethics, openness, transparency, respect and inclusivity.
- Prioritising health and safety for all employees.

Current engagement

- Quarterly town hall meetings to facilitate interaction and information sharing across all levels of Carclo.
- Direct interaction between the Board and employees through site visits, enhancing mutual understanding and immediate communication.
- Initial rollout of wellbeing projects emphasising our commitment to employee health and safety.
- Reducing our incident frequency ratio over the last three years from 2.70 to 2.28.

Planned improvements

- Enhancing training and education: Developing robust training and education programmes to support employee career growth and skills development.
- Introducing succession planning: Gradually implementing a structured succession planning process to ensure leadership continuity and prepare employees for future roles within Carclo.
- Expanding wellbeing initiatives: Extending the scope and reach of wellbeing initiatives to further support our employees' mental and physical health.

Our stakeholders continued

Shareholder engagement

At Carclo, we acknowledge the profound impact that our shareholders have on our trajectory. Their insights are crucial to shaping our strategies and decisions, driving our commitment to sustainable and responsible growth.

Material issues

- Maintaining transparent and timely communication of financial performance and business developments.
- Ensuring sustainable and responsible growth that delivers long-term value to our shareholders.
- Aligning corporate strategy with shareholder interests and expectations.
- Upholding strong corporate governance and rigorous risk management practices.

Current engagement

- Enhanced digital presence on our website and LinkedIn to keep shareholders informed and engaged.
- Full adoption of ESG principles in our operations, making sustainability a central aspect of our business model.
- Continuation of essential communications through financial reports and presentations via the Investor Meet Company platform for half-year and full-year results.

Planned improvements

- Further improvement of our digital communication channels to make shareholder information more accessible and interactive.
- Expansion of virtual events beyond standard presentations to include more comprehensive investor engagement opportunities.
- Strengthening dialogue with institutional investors and proxy advisors to ensure alignment between corporate strategies and shareholder expectations.

Customer engagement

At Carclo, customer insights are central to our decision-making processes, driving our commitment to meet and exceed their expectations. This focus ensures we continually enhance our offerings, particularly in high-precision critical components, aligning closely with our customers' evolving needs.

Material issues

- Ensuring the quality and reliability of our products and services.
- Strengthening customer relationships and maintaining high levels of satisfaction.
- Proactively identifying and addressing emerging customer needs and market trends.

Current engagement

- Customer surveys guiding our improvement projects in all aspects of customer service.
- Organisational reset to enhance our customer service focus, facilitating open and frank conversations.
- Regular engagement through meetings and feedback sessions to assess performance, pinpoint improvement areas, and seize new opportunities.

Planned improvements

- Development of customer portals to streamline communication and enhance service accessibility.
- Continued expansion of digital capabilities to improve customer engagement, streamline processes and boost responsiveness.
- Support for customer initiatives aimed at achieving climate neutrality and enhancing sustainability, demonstrating our commitment to their environmental and social goals.

Supplier engagement

Suppliers are a vital component of our stakeholder ecosystem, contributing significantly to our production capabilities, product quality and sustainability standards. Our goal is to cultivate strong, collaborative relationships with suppliers who share our commitment to quality and ethical practices.

Material issues

- Ensuring responsible sourcing and strict adherence to ethical and environmental standards.
- Developing long-term relationships with suppliers that emphasise mutual trust and collaborative innovation.
- Encouraging continuous improvement and leveraging supplier expertise beyond mere component supply.

Current engagement

- Transition from co-ordinated to cross-functional procurement, marking a significant step towards achieving world-class supply management.
- Regular interactions and strategic discussions with suppliers to evaluate performance, resolve concerns and identify improvement opportunities.
- Expansion of our supplier diversity programme to include a broader spectrum of enterprises, enriching our supply chain.

Planned improvements

- Further development and integration of digital tools to enhance collaboration and increase transparency within our supply chain.
- Continuous expansion of our supplier diversity programme to ensure a more inclusive supply chain.
- Initiating joint sustainability programmes with suppliers to tackle environmental challenges and enhance resource efficiency collectively.

Our stakeholders continued

Lending bank engagement

Our lending bank plays an important role in supporting Carclo's financial stability, providing support that enables the Group to invest for the future whilst serving the current customer base. The maintenance of this robust relationship is vital in ensuring our stakeholders' continued confidence in Carclo's sound financial management.

Material issues

- Generating sufficient cash flow to meet our long-term commitments to the lending bank.
- Keeping the lending bank well-informed of our progress towards achieving the Group's objectives and financial performance.

Current engagement

- Regular tripartite meetings involving the lending bank, the pension scheme and Carclo to discuss financial performance and strategic alignment.
- Collaborative reviews of the Group's budget and strategic plans, with adjustments to interest covenant rulings as necessary to sustain the lending bank's support.

Planned improvements

- Further improving information flows about Carclo's financial status and key developments, including through the regular quarterly meetings between the CEO, CFO and the lending bank to ensure continuous dialogue and address any emerging concerns promptly.
- Exploring opportunities with the lending bank to optimise our financial structure and access additional funding sources, aiming to strengthen our financial foundation further.

Pension fund engagement

At Carclo, the pension scheme's health is crucial to our commitments to both past and current employees. We prioritise timely contributions to ensure the fund remains robust, effectively serving our employees' interests and securing their futures.

Material issues

- Adhering to the agreed schedule of deficit repair contributions, carefully balancing the needs of the scheme with the operational and investment demands of the business.
- Ensuring the appropriate management of the scheme's assets and liabilities.

Current engagement

- Periodic tripartite meetings with the lending bank and trustees to align on financial performance and strategic direction.
- Regular engagement between the Chair, CEO and CFO and the trustees, maintaining continuous dialogue.
- Collaborative efforts with the trustees to ensure the scheme's long-term funding is sustainable and optimally structured.
- Close co-operation and open communication with the trustees to ensure a unified approach to managing the scheme.

Planned improvements

- Exploring future enhancements to the pension scheme's investment strategy with the trustees, focusing on long-term sustainability and maximised value for retirees.

Local community engagement

At Carclo, we deeply value the input of local communities in shaping our corporate citizenship initiatives. We are committed to creating positive and sustainable impacts, making decisions that not only meet community needs but also contribute to their growth.

Material issues

- Identifying opportunities where Carclo can make significant, sustainable contributions to local communities.
- Encouraging and enabling our employees to actively participate in community support activities.

Current engagement

- Integration of community engagement topics in our quarterly town hall meetings, led by the Group Executive team.
- Active promotion of our community efforts on our public LinkedIn page, increasing visibility and transparency.
- Continuous demonstration of high engagement in addressing local community issues.

Planned improvements

- Expansion of community engagement activities to all regions, with strategic alignment from the Group Executive team.
- Enhanced visibility of our community engagement through regular updates on our website and across all social media channels.

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

Return on capital employed
(%)

13.1%

FY23: 9.7% ▲ 3.4pps

Definition and method of calculation
Return on capital employed measures the underlying operating profit for the Group, as a percentage of assets employed, defined as working capital plus tangible assets.

Explanation of importance
Helps to monitor our success in generating profits from the assets employed in the business.

Return on sales
(%)

5.0%

FY23: 4.1% ▲ 0.9pps

Definition and method of calculation
Underlying operating profit from continuing operations divided by revenue from continuing operations. Please refer to the reconciliation of non-GAAP financial measures within the information for shareholders on pages 163 and 164.

Explanation of importance
Helps to monitor the efficiency of the Company's operations.

Cash conversion rate
(%)

160.6%

FY23: 84.0% ▲ 76.6pps

Definition and method of calculation
Cash generated from operations divided by earnings before interest, tax, depreciation and amortisation.

Explanation of importance
Helps to monitor how well the Company converts its profits into cash.

Fixed asset utilisation ratio

3.3x

FY23: 3.2x ▲ 3.1%

Definition and method of calculation
Revenue from continuing operations divided by tangible fixed assets.

Explanation of importance
Helps to monitor how efficient we are using the tangible fixed assets at our disposal to generate revenue.

Underlying operating profit from continuing operations (£m)

£6.6m

FY23: £5.9m ▲ 11.9%

Definition and method of calculation
Operating profit from continuing operations before exceptional items. Please refer to the reconciliation of non-GAAP financial measures within the information for shareholders on pages 163 and 164.

Explanation of importance
Helps to monitor our success in generating profits from our operations and our performance.

Net debt
(£m)

£29.5m

31 March 2023: £34.4m ▼ 14.3%

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 pages 163 and 164. Lease liabilities as at the balance sheet date were £11.2m.

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

Key Performance Indicators continued

Non-financial KPIs

Incident frequency ratio

2.28

FY23: 1.47 ▲ 55.1%

Definition and method of calculation

Measures the number of incidents per 100,000 hours worked. In FY24 Carclo introduced a more rigorous reporting process which encourages employees to report any and all incidents, regardless of severity. This explains the percentage increase between FY23 and FY24.

Explanation of importance

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

Energy intensity ratio

(tCO_2e)

145.7 tCO_2e

FY23: 155.3 tCO_2e ▼ 6.2%

Definition and method of calculation

Energy intensity ratio is tCO_2e per £1m of revenue from operations.

Explanation of importance

Enables us to monitor tonnes of carbon dioxide emissions per £1m of revenue.

Women in senior management positions

(%)

22.0%

FY23: 13.0% ▲ 9.0pps

Definition and method of calculation

Calculated as the proportion of employees in senior management positions identifying as female. The definition of "senior management" for this purpose is the Group Executive Committee, including Executive Directors.

Explanation of importance

Enables us to monitor our commitment to our global policy of equality and inclusiveness.

Responsible operations

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

What's in this section

Corporate social responsibility is a critical element of operations and decision-making. The Group understands the importance of ensuring that the business positively impacts employees, customers, suppliers and other stakeholders, which in turn supports the long-term performance and sustainability of the Company.

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

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

Also, during this year, no prosecutions, fines or enforcement action have occurred due to non-compliance with safety, health or environmental legislation. We've effectively lowered lost time accidents, underlining the impact of our unwavering commitment to safety. Our increased safety vigilance has also highlighted minor incidents and improvements, showcasing our comprehensive approach to employee wellbeing.

Group Executive Committee

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

Non-financial reporting

We comply with the non-financial reporting requirements 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 26)
Employees	Ethical Policy Health and Safety Policy Equal Opportunities and Diversity and Inclusion Policy	Responsible operations report (pages 23 and 25)
Human rights	Modern Slavery Statement Ethical Policy	Responsible operations report (page 23)
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy Ethical Policy Whistleblowing Policy	Responsible operations report (page 23) Statement of corporate governance (page 45)
Policy embedding, due diligence and outcomes		Principal risks and uncertainties (page 37)
Description of principal risks and impact of business activity		Principal risks and uncertainties (pages 37 to 42)
Description of the business model		Our business model and strategy (pages 9 to 13)
Non-financial KPIs		Key Performance Indicators (page 21)

Responsible operations continued

People

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

Diversity and inclusion

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 dedicated to offering equal opportunities to everyone regardless of gender, nationality, ethnicity, language, age, status, sexual orientation, religion or disability.

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

We believe that the Group should demonstrate a fair mix across all levels of our business. At 31 March 2024, 26.7% of our employees identified as female (31 March 2023: 28.5%). The proportion of women in senior management positions amounted to 22% (31 March 2023: 13%).

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 vast 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 excellent and productive working relationships within the organisation.

We encourage recruitment, training, career development and promotion on the basis of aptitude and ability, without regard to disability. We are also committed to retaining employees who become disabled during the course of their employment. We endeavour to make reasonable adjustments to the duties and working environment to support any employee suffering a disablement during their employment, including providing retraining as necessary.

Wellbeing

The safety and wellbeing of the Carclo team has continued to be foremost in the minds of the Board. 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 continuously grateful for colleagues' positivity, resilience and dedication.

Since 2001, the Group's Health and Wellbeing Programme, "Carclo Cares", offers every employee access to an Employee Assistance Programme ("EAP") helpline. "Carclo Cares" ensures comprehensive emotional, financial or legal support. We also uphold a Stress, Mental Health and Wellbeing Policy and appoint Health and Wellbeing Champion volunteers at each site.

The resulting decrease in the incident frequency rate reflects our sustained commitment to employee safety and illustrates our continuous improvement efforts. This reduction not only improves the overall work experience for our employees but also affirms our commitment to their health and safety.

Development

We continue to invest in developing all our employees through informal and formal routes. Assessment of individual training needs is critical to the annual appraisal process.

Ethical Policy

Following the enactment of the Bribery Act 2010, we have codified our Ethical Policy confirming our commitment to not tolerating any 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 most recent Modern Slavery Statement can be found at **www.carclo-plc.com**.

"Over the past twelve months, our legal journey has seen remarkable progress. Beginning with the seed of compliance, we have nurtured substantial growth in our risk management processes and witnessed the flourishing development of legal governance. A testament to our firm commitment to integrity, resilience and ethical leadership, solidifying Carclo's legal evolution."

Florentina Andronovici, Head of Legal

Responsible operations continued

Voices of experience

Venkatraj Mahendran
Manufacturing Manager (Bangalore)

From starting as an Engineer to now leading as a Manufacturing Manager, my journey with Carclo has been nothing short of exhilarating. I'm immensely grateful for the recognition bestowed upon me and my team. Witnessing our collective efforts mirrored in the Company's growth has been truly rewarding. Thank you, Carclo team, for your trust and acknowledgment.

乔萍 Qiao Ping
Process Technician (Taicang)

In a male-dominated injection moulding world, my dedication is a powerful reminder that spirit and tenacity know no gender. As Carclo nurtures my skills, it is not just evolving into a technician but demonstrating boundless thinking where women can thrive in industries traditionally dominated by men. My new journey is proving that the path can be reshaped and the possibilities are endless. I feel like a shining example for the team, showing that everything is possible!

Jennifer Findley
Interim Financial Controller (CTP US)

I started with the company 25 years ago, right after we were purchased by Carclo. I was hired as the Accounts Receivable Clerk at that time and have worked my way through different aspects of the company, to now being the Interim Financial Controller for the US. Through the 25 years both the Company and myself have grown into what we are today. I have seen sites opening and closing over the years and met many people. Through all of these ups and downs, we have always come out stronger than we were before.

Vincent Legrand
Workshop Manager (Jacottet France)

Reflecting on my 16-year journey with Jacottet-Industrie, beginning as a Qualified Worker and progressing to Workshop Manager, I've witnessed significant positive changes since we joined the Carclo Group in 2008. The transition was smooth, maintaining our established operations while enhancing our work environment. Carclo's annual investments have improved our daily lives, from new equipment and offices to refurbished break rooms. They've introduced holiday vouchers and prioritised workplace safety, all while preserving our family business spirit. Carclo's support has truly made Jacottet-Industrie an even better place to work.

Responsible operations continued

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.

Carclo highly values the health and wellbeing of its employees and has been proactive in reinforcing a robust health and safety culture. Key initiatives in FY24, personally driven by our CEO, our leadership team and the Global H&S Coordinator, included introducing a more rigorous reporting process which encouraged employees to report any and all incidents, regardless of severity, which explains the increase in lost time incidents from 2.28/100,000 hours in FY24 from 1.47/100,000 hours. The Group did, however, report a decrease in the number of lost time incidents per 100,000 hours worked.

- **Safety first:** All meetings, regardless of department or function, focus on health and safety, ensuring it is always top of mind.
- **Ten golden rules:** We have established the top ten golden rules for health and safety, guiding our employees to act following these principles.
- **Carclo Cares Safety Week:** An initiative organised across all locations, focusing on activities promoting safety awareness and practices, which helped increase knowledge and attention towards health and safety protocols.
- **Incident reporting:** Direct reporting of any incident to the CEO has ensured prompt action and helps drive home the seriousness with which we take employee safety.
- **Carclo Cares dashboard:** Our global dashboard provides transparency about safety incidents and reinforces our commitment to accountability and improvement.
- **Visible reminders:** All sites now display signs indicating the number of days since the last incident, fostering a conscious and consistent effort to maintain safe working environments.

Health and safety case study

This year marks the second successful implementation of Safety Week across Carclo sites, engaging every employee in vital safety initiatives. Activities ranged from presentations and training sessions to competitions, drills and quizzes, reinforcing our Zero Harm in the Workplace policy. Although Safety Week has concluded, our dedication to safety remains unwavering. We will persistently assess the efficacy of our safety measures and foster active participation from employees at every organisational level to uphold a secure work environment.

Corporate responsibility

Global social responsibility

As a global entity, Carclo upholds its commitment to ethical supply chain practices across all communities in which we operate. With direct oversight of all our manufacturing facilities, we pledge to serve as a responsible producer, ensuring transparency and accountability throughout all our operations.

Community involvement

We empower our businesses to actively contribute to their local communities through charitable endeavours and educational initiatives. Responsibility for these efforts is delegated to local management, ensuring direct and meaningful impact at the grassroots level. The efforts below highlight Carclo's dedication to enhancing the wellbeing of its local communities.

In the US, Carclo provided sponsorships and scholarships to local community colleges. In addition, the CTP facility in Latrobe participated in the "Toys for Tots" programme and "Shop with a Veteran" event at Christmas, ensuring that children from underprivileged families receive toys during the holiday season.

Carclo also contributes to the community by participating in the yearly Wiffleball fundraiser for the local parks and recreation, as well as supporting the local police department through the "Shop with a Cop" programme.

Our facility in Bangalore supported the Indian government's corporate social responsibility ("CSR") scheme and, during the year, helped to build a higher primary school building with three classrooms along with a library for 6th and 7th standard students. This school was put into use from March 2024.

In October 2023, our Chinese facility, working with the Red Cross, donated medical expenses for two critically ill children's continuous treatment.

Our Bruntons facility helped finance playing kits for primary school rugby in local socially and economically disadvantaged areas.

Charitable donations

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

Some highlights from the year include our Aerospace business supporting its local training board which is run as a charity through EDETA (Edinburgh and District Employers Training Association). 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 FY24, the Group donated £4k to charity (FY23: £14k).

It is the Group's policy not to make political donations and no such donations were made in the year (FY23: £nil).

Responsible operations continued

Environment

Environmental Policy

Carclo's guiding philosophy involves an ongoing commitment to mitigating and, where feasible, completely eradicating adverse environmental effects arising from its diverse commercial pursuits, while still delivering high-grade products that meet the unique requirements of our clientele.

Carclo seeks not merely to comply with all environmental laws and regulations but also to surpass the benchmarks put forth by the local regulatory bodies. This drive is part and parcel of Carclo's ambitious goal to create an environmentally conscious and responsible culture. We aim to involve all stakeholders – employees, clients and suppliers – in this endeavour, and we proactively engage and communicate with regulatory authorities at all suitable intervals.

Implementation actions for our Environmental Policy

Project Zelda, now in its second year, stands as Carclo's flagship sustainability initiative. Focused on research and development, it aims to reduce waste, enhance energy efficiency, and champion sustainable resource management. While specific details are confidential, the project underscores our commitment to environmental responsibility and innovation. We have set ambitious targets, aiming to cut our external waste by half within two years and reduce the energy consumed in creating quality products by 5% annually.

Sustainability standards are of paramount importance to Carclo, demonstrated by the achievement of a bronze EcoVadis rating in April 2024, which places us in the top 35% of companies globally.

EcoVadis, with its comprehensive rating system, aids us in maintaining and elevating our responsible business practices and we incorporate these into the very heart of our supply chain operations.

Noteworthy CO_2 footprint factors

Energy consumption: We measure the energy intensity ratio of tCO_2e per £1m of revenue from operations, as this covers all the activities of the Group, which reported a decrease of 6.2%. In addition, we also measure this in kWh per kilogramme of products manufactured. Our ambitious target is a 5% reduction per annum for the next three years.

Material waste: This refers to the percentage of materials procured that end up as waste material outside of Carclo. Our goal is to cut this figure by half within three years and we are actively recording this to monitor progress.

Water usage: We measure our water consumption in absolute litres per annum. We are implementing water-saving measures throughout our operations and are starting to see a positive impact.

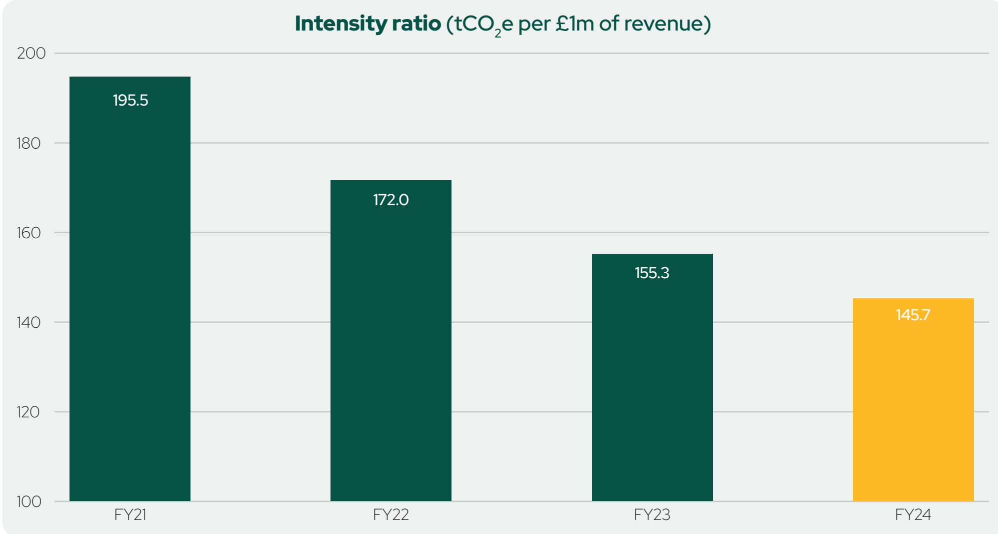
Greenhouse gas emissions and energy consumption

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 2024 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:	FY24	FY23	FY22	Percentage change (FY23 to FY24)
Scope 1 (tCO_2e) Gas, fuel and industrial emissions	**520**	559	718	(7.0)%
Scope 2 (tCO_2e) Electricity	**18,806**	21,711	21,403	(13.4)%
Total (tCO_2e)	**19,326**	22,270	22,121	(13.2)%
Group revenue (£m)	**132.7**	143.4	128.6	(7.5)%
Intensity ratio (tCO_2e per £1m of revenue)	**145.7**	155.3	172.0	(6.2)%



Responsible operations continued

Environment continued

Greenhouse gas emissions and energy consumption continued

Energy consumption

MWh	FY24	FY23	FY22	Percentage change (FY23 to FY24)
By region				
UK	**16,697**	15,458	15,790	8.0%
Rest of world	**26,419**	31,988	31,593	(17.4)%
Carclo Group	**43,116**	47,446	47,383	(9.1)%
tCO_2e				
By region				
UK	**3,426**	3,272	3,446	4.7%
Rest of world	**15,900**	18,998	18,675	(16.3)%
Carclo Group	**19,326**	22,270	22,121	(13.2)%

$$\frac{\text{Total energy consumed 43,116 MWh}}{\text{Total revenue £132.7m}} = \text{324.9 MWh/£m of revenue}$$

The intensity ratio of energy consumption has decreased this year by 6.2% due to energy-saving initiatives implemented around the Group.

Energy performance – electricity (MWh):

From April 2023 to March 2024 the total electricity consumption was 40,569 MWh and it has been calculated that FY24 electricity consumption is 9.1% lower than in the same period in FY23.

Energy performance – natural gas (MWh):

From April 2023 to March 2024 the total natural gas consumption was 1,986 MWh and it has been calculated that FY24 natural gas consumption is 17.9% lower than in the same period in FY23.

Energy performance – direct transport (MWh):

From April 2023 to March 2024 the total direct transport consumption was 486 MWh. Whilst it is the smaller proportion of the total Scope 1 emissions, it has been calculated that FY24 transport energy consumption is 28.5% higher than in the same period in FY23.

Over the past year, the Group has been proactive in implementing a diverse portfolio of energy management initiatives, underscoring our unwavering commitment to environmental sustainability. This momentum has been bolstered by a surge in energy prices across Europe, which has accelerated our strategic investments in energy-efficient projects.

A significant ongoing energy conservation project involves a joint investment with our customers to transition production from high-energy-consuming hydraulic machines to fully electric alternatives. The first two phases of actually divesting hydraulic machines have been successfully completed, with the final phase set to be executed in the forthcoming financial year.

As a result of these improvements and enhancing our operational efficiency, we've already seen a reduction in our energy intensity ratio of over 5%. Nevertheless, we remain focused on our goal for the Zelda project – an additional 5% annual reduction in energy use per kilo of products produced.

Across the Group, a number of initiatives took place to reduce energy consumption and/or limit greenhouse gas emissions:

- Both the Czech and the UK facilities removed the machines with the highest power consumption from their portfolios, as part of the divestiture of high-energy-consuming hydraulic machines. The Czech facility also further minimised production on hydraulic machines, with production being consolidated on more efficient electrical machines.
- Our Taicang site adhered to energy conservation programmes, new device investment and facilities modifications. In addition, the site maintained an environment treatment system (including a level-two activated carbon filtration device, which improves waste air). Companies who have a similar eco system in place are the site's preferred partners.
- In line with our Group-wide transition to LED lighting a number of our sites (including India and the UK) continued to successfully transition to LED lamps, facilitating improved illumination and lower energy consumption.
- The facility in India installed motion sensors for certain equipment (lamps, fans) which reduced unnecessary electricity consumption.
- Negotiations are substantially advanced in order to improve insulation in our French facility.
- The UK (Mitcham) facility entered into a three-year contract for 100% renewable zero carbon electricity, to take effect in October 2024.

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_2e is on a location-based basis. Energy consumption is expressed in kilowatt hours ("kWh"), 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.

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

Our mission

We are committed to driving sustainability into our organisation. Sustainability is integral to our strategy and has been built into our strategic plans.

The approach at Carclo is to embed the initiatives and actions to increase sustainability and to reduce the environmental impact of our operations into the business strategy and usual management processes. There is a strong correlation between energy management, waste reduction, lower water consumption and increased efficiency which give greater sustainability and improve the trading performance of the Group.

In addition, we engage with and inspire our people to drive local initiatives in their communities to contribute to a sustainable world.

Our greenhouse gas emissions are for the most part generated by the consumption of energy in our manufacturing processes.

Absolute targets

- Reduction in absolute Scope 1 and 2 GHG emissions by 50% by the end of 2030 from a 2022 baseline.
- Renewable electricity procurement target to increase annual sourcing of renewable and carbon-free electricity to 50% by the end of 2027 and annually sourcing 100% renewable and carbon-free electricity by the end of 2030.

Our progress to mitigate the impact of climate change has been recognised by EcoVadis, the world's largest provider of business sustainability ratings.

Recommended disclosures for climate-related risks and opportunities

		Compliance	Reference
Governance	a) Board oversight	Yes	page 29
	b) Role of management	Yes	page 29
Strategy	a) Risks and opportunities over the short, medium and long term	Yes	page 30
	b) Impacts on the business's strategic and financial planning	Yes	pages 30 to 31
	c) Resilience of the strategy	Yes	page 31
Risk Management	a) Risk process	Yes	page 32
	b) Risk management	Yes	page 32
	c) Integration with the overall risk management	Yes	page 32
Metrics and targets	a) Metrics used by Carclo	Yes	page 32
	b) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions	Yes	page 26
	c) Carclo targets and performance against them	Yes	page 26

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

Governance

This section discloses the organisation's governance around climate-related risks and opportunities.

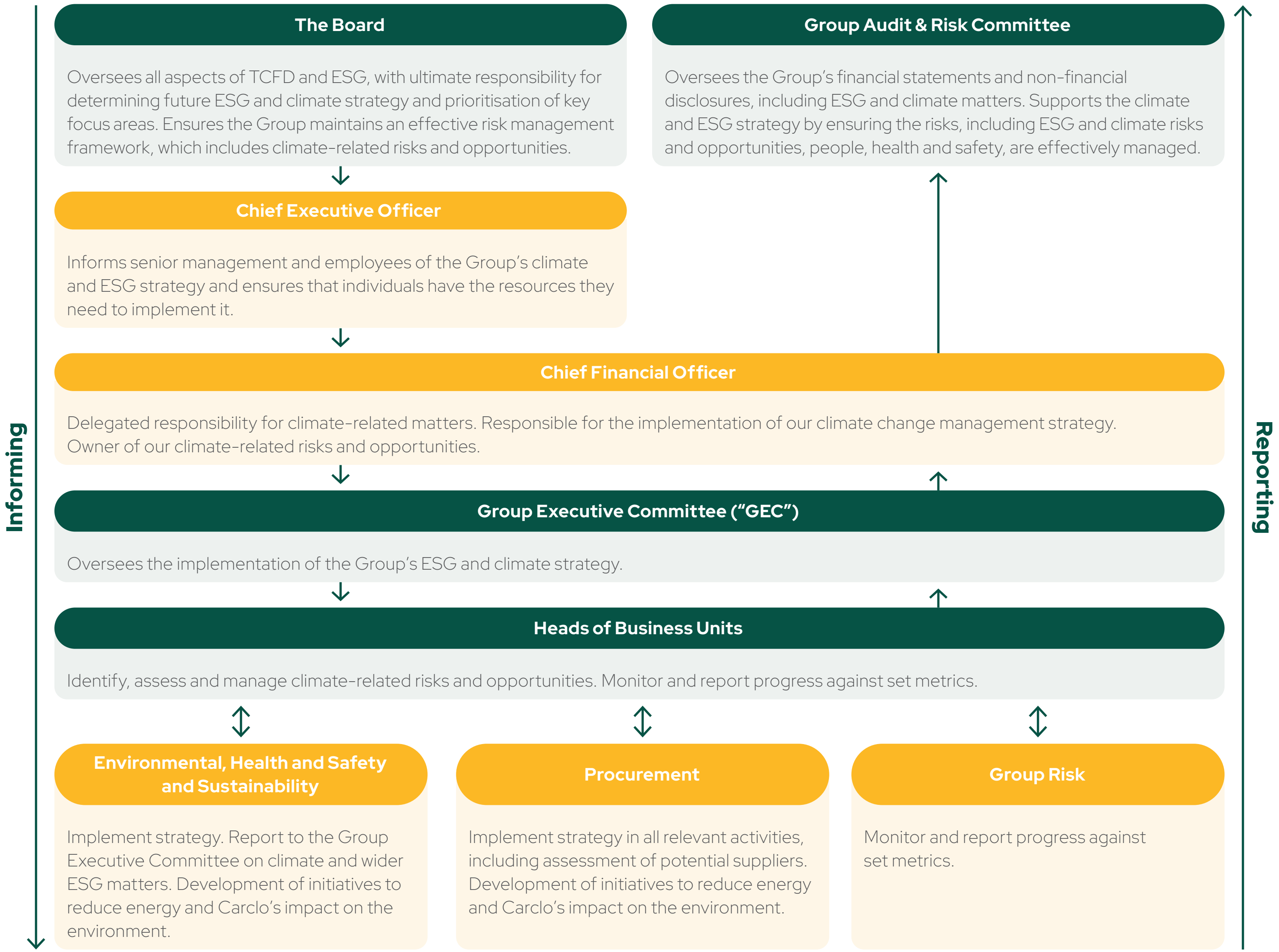
a) Board oversight

b) Role of management

The Board sets the Group's overall strategy and risk appetite including in relation to sustainability and the environment. The Board of Directors monitors climate-related risks and opportunities against metrics, including:

- Scope 1 and 2 emissions.
- Absolute energy use.
- Energy intensity.
- Waste management.
- Water used.

Carclo's approach to climate change risks and opportunities takes both a top-down and bottom-up approach. The Board informs the business, through the Chief Financial Officer and heads of business units, on the Group's appetite and approach to climate change, and the business, through management, then reports the risk management process back to the Board. The severity of each risk is quantified by assessing its inherent impact and potential mitigating steps. This ensures that residual risk exposure is recognised and managed appropriately.



The Chief Financial Officer reviews climate change and sustainability-related risks and opportunities in conjunction with the Group Executive Committee, which also includes business unit heads. Business unit heads provide feedback from their respective units, allowing the Group Executive Committee members to understand how risks and opportunities affect the Group as a whole. Any material changes, concerns or matters are escalated to the Board of Directors.

Reviews were conducted with the GEC and business unit heads during FY24 to ascertain a better understanding of the risks and opportunities arising from potential climate change impacts under different scenarios. The results of these reviews are set out on the following pages.

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

Strategy

This section discloses the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning, where such information is material.

a) Risks and opportunities over the short, medium and long term
b) Impacts on the business's strategic and financial planning
c) Resilience of the strategy

The impacts, actual and potential, of climate-related risks and opportunities on Carclo's business strategy and financial planning, and how these impact Carclo over the short, medium and long term, are discussed in the table to the right.

Short term (0-3 years) plans developed to decarbonise our business and realise change.

Medium term (3-10 years) to meet our 2030 ESG targets. Each business division develops strategic plans to achieve the targets.

Long term (10-25 years) we expect to see a significant development in technology to allow decarbonisation of the business, realising that there are significant uncertainties.

Climate related materiality is defined using the impact on EBITDA as follows:

- N **Negligible impact** (£0-£0.1m) risks where the company can absorb the financial cost and the reputational impact is minimal
- L **Low impact** (£0.1m-£1.0m) potential to be notified by regulatory notices
- M **Moderate impact** (£1.0m-£5m) potential to be reported with a damage to reputation
- H **High impact** (£5m-£10m) potential to impact customer confidence
- S **Significant impact** (£10m-£15m) significant reputational damage
- C **Critical impact** (£15m+) potential to be catastrophic to the organisation

Material risks and opportunities

Climate-related trend	Potential financial impact	Expected time	Materiality	Strategic
Increased energy costs as transition to green sources	Energy costs materially higher	Short to medium term	M	Carclo is migrating to more efficient presses using less power
Increased pricing of GHG emissions	Increasing cost of materials as producers use hydro-carbon input	Medium to long term	M	Initiatives to reduce material consumed in production
Raw materials	Potential issues with material shortages as oil production is reduced	Medium to long term	H	Operational improvement initiative to reduce material consumed in production
Raw materials	Potential move away from petrochemical to new materials developed through technological change	Medium to long term	S	Strategy to review development to be at the leading edge of change would require significant investment
Changing customer behaviour	Change in demand due to technological change	Medium to long term	S	Global footprint and material niche mitigates the timescale of the impact. Industry initiatives to redirect to new technology. Carclo's strategy is to develop business utilising alternative materials and processes.
Physical risk				
Heat stress	Reduced production impacts on workforce and equipment	Short, medium and long term	S	New technology buildings, full automation of production and ambient temperature controls
Flooding	Impact on sites affecting logistics and transport links	Medium to long term	S	Certain sites impacted more than others, mitigation by relocation in long-term strategy
Opportunities				
Development of new products through innovation to respond to change in demand for environmentally friendly materials	Increased revenue and competitive edge	Medium to long term	S	Regulation and customer preference will drive the market change

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

Strategy continued

Our products contribute to the health and welfare of the population through the delivery of medical diagnostics and therapies. The products are essentially based upon petrochemical materials, moulded and finished utilising electrically powered equipment. We serve a global market and so transport logistics are an important factor.

The strategy is to switch to green sources of energy supply and to increase efficiency to reduce the consumption of power and raw material, a specific programme to reduce waste has been implemented. Technological development is expected to create alternative materials to petrochemical products in the long term.

Transition plan

Short term: This planning focuses on climate change-related actions to increase operational efficiency and machine utilisation, reducing raw material consumption, waste reduction, and increased material re-use and changing power providers to renewable/carbon-free energy to achieve our 2026 target of 50% carbon-free electricity. Migration from hydraulic presses to electrical power presses enables more efficient production in terms of energy usage.

Medium and long term: No sites are identified as being at risk of flooding from sea level rise before 2030. However, there are transport and logistical impacts that my affect certain sites. We will increase our use of lower emissions sources of energy to reduce our exposure to fossil fuel price increases or taxation. Our operational excellence team focuses on increasing profitability and competitiveness through energy and operational efficiency improvements.

Investing in early-stage projects for alternative raw materials: We are working with material scientists to source alternative solutions.

Investing to grow capacity in key markets: We will invest in equipment growth in new market sectors which would utilise alternative materials to plastic.

Investing in key technologies: Carclo's long-term approach (10-25 years) considers the achievement of long-term goals and implementing the solutions needed to decarbonise our business. Our climate change-related long-term planning includes decisions on the future of power generation and supply, and advancements in low carbon technology.

Transition risk

Increased pricing of GHG emissions: As a large energy consumer, a potential risk to Carclo is exposure to carbon taxation. Migration to carbon neutral energy sources mitigates this risk.

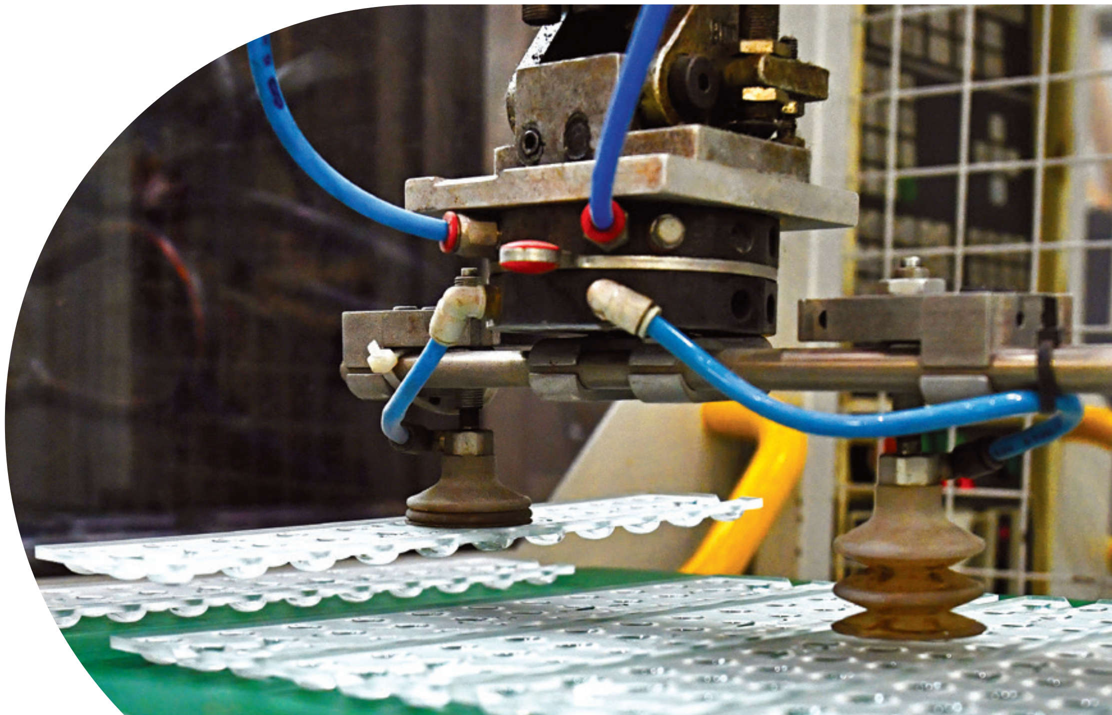
Physical risk – heat stress and water scarcity: The impact of heat stress on staff productivity and equipment efficiency compounded with water scarcity interrupting operations is the most significant risk. The expected impact is likely to be in the following areas:

1. Heat impacts to staff productivity and forced downtime.
2. Heat impacts to materials manufacturing halting production to avoid spoilage.
3. Heat impacts to operational equipment such as control systems.
4. Water scarcity impacts to operational sites requiring access to clean water for manufacturing processes.

For heat stress, the hourly productivity and revenue loss are expected to impact relative to different temperature bands. The change in number of days above each threshold differs for each site and a potential annualised loss is based on the likely impact to staff productivity, material spoilage and operational equipment.

For water scarcity, an increase in drought months is expected. The results of the assessment indicate that the resilience of the business to heat and water stress is relatively poor in scenarios where there is higher than 2°C increase in average temperatures; in this scenario financial impact would be relatively high. For 2°C or lower the mitigation actions are low cost. As expected, there was variation across the different regions, with geographies such as India impacted earlier and more severely.

The financial impact relates to the cost of the use of many available mitigations including the availability of air conditioning to reduce heat impacts on staff and materials, technologies to make our plants more resilient, or changing working patterns to cooler times of day. As a result of this analysis, heat stress related incidents will be added to our employee health metrics, to ensure that we are protecting our workforce. Action has taken place in FY25 in India to mitigate the impact on our employees.



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

Risk management

This section discloses how the organisation identifies, assesses and manages climate-related risks.

a) Risk process

b) Risk management

c) Integration with the overall risk management

Identification, assessment and management of climate-related risks

The Board recognises the need to understand and assess climate-related risk and the inherent uncertainty therein. Risk management and internal control are fundamental to achieving the Group's aim of delivering long-term sustainable growth. Principal and emerging risks are identified both "top down" by the Board and the Group Executive Committee and "bottom up" through the business units. Further details on Carclo's procedures for identifying, assessing and managing risk can be found in the principal risks and uncertainties section of the annual report on pages 37 to 42.

The severity of each risk is quantified by assessing its inherent impact and mitigated probability, to ensure that the residual risk exposure is understood and prioritised for control throughout the Group. Senior executives are responsible for the strategic management of the Group's principal risks, including climate-related risk. The output of ongoing scenario analyses will be integrated into the risk register using this approach. These registers identify internal and external factors that could pose threats and opportunities to each business. They evaluate the inherent impact, mitigated probability, risk severity, control effectiveness and risk trends.

Process for managing climate-related risk

Our Group Executive Committee meets monthly to oversee matters including the management of our most significant environmental and climate risks. This group is chaired by our Chief Executive Officer and attended by the Chief Financial Officer, the Executive Director responsible for management of climate-related risk.

We evaluate compliance regularly and consider how these regulations may impact Carclo. Potential risks are shared with the business units through the monthly Group Executive Committee report. The senior management teams for each business unit are responsible for developing risk mitigation and management strategies for the risks they identified for their individual businesses. Each risk is assessed by using the indicators of relevance and their associated impact. Impact on revenue, litigation outcomes, site disruption, applicable fines and others are all quantifiable indicators that could affect each site's risk classification.

Processes for identifying, assessing and managing climate-related risks are integrated into Carclo's overall risk management

Climate change is recorded as a principal risk on the Group risk register. Climate change covers transition and physical risks and includes the potential increase of mandatory regulation and increased scrutiny from stakeholders. It is assessed in the same way as all other principal risks.

Throughout FY24, the Board reviewed the preparedness of the Company to all known principal risks with a significant potential impact at Group level. Additionally, the Chief Financial Officer, in conjunction with members of the Group Executive Committee, carried out risk reviews.

These reviews included an analysis of the principal risks, and the controls, monitoring and assurance processes established to mitigate those risks to acceptable levels. The risk from climate change was assessed to have a high severity rating. How this compares to other principal risks can be found in the principal risks section of the annual report.

Metrics and targets

This section discloses the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

a) Metrics used by Carclo

b) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions

c) Carclo targets and performance against them

Metrics used to assess climate-related risks and opportunities

Carclo tracks its Scope 1 and Scope 2 emissions by each site. The emissions intensity ratio is monitored and targets set for improvement.

The CTP division utilises energy intensive equipment as part of its manufacturing process and the division has commenced monitoring the energy required to produce a standard amount of finished product and is setting targets and action plans to drive overall energy efficiency.

We have ongoing initiatives executed by our businesses which are employed in our greenhouse gas emissions report on pages 26 and 27.

A detailed disclosure of Scope 1 and Scope 2 ("GHG") emissions and related risks can be found on page 26 of this report. The targets used by Carclo to manage climate-related risks and opportunities and performance against targets can be found on page 26 of this annual report.

Finance review

"We have prioritised the control of capital investment, working capital management and tight control over costs in order to increase cash generation and to increase the return on capital."

Eric Hutchinson
Chief Financial Officer

Dear shareholder

This year was one full of challenges which drove innovation in response to them, creating the focus on internal self-help to put the business on a sound footing for the future, as evidenced by the greatly improved performance in the second half of the financial year.

The lower demand by key customers for PCR testing, and lost business in FY23 impacting the base business for FY24, resulted in lower revenues of £132.7m against last year's £143.4m. The impact of currency movement was marked, being a £4.5m decrease on the prior year comparative. Of the £132.7m achieved, £5.9m relates to work not transferred from sites closed or being closed which, in effect, lowers the base level of revenue as we start the new financial year.

The underlying operating profit came in at £6.6m, compared to £5.9m (or £5.5m at constant currency) in the prior year. The prior year also benefited from foreign exchange gains of £0.9m. Return on sales was 5.0%, increasing by 0.9 of a percentage point over 4.1% last year.

The increase in profitability was due to the actions implemented by our advanced process optimisation programme increasing asset utilisation, improved pricing processes, better purchasing and the drive to reduce waste, which increased contribution margins, which were up by 4.0 percentage points to 35.9%. Overheads were slightly up at £40.9m (FY23: £40.0m). The second half underlying operating profit was £4.4m, representing a marked increase on the first half of FY24 of £2.2m, resulting in £6.6m for the full year.

Exceptional net costs for the year amounted to £4.9m, compared to £4.7m in FY23. The cash cost of these was £0.6m compared to £2.2m in the prior year. Exceptional costs comprised £3.4m rationalisation costs incurred in CTP for site closures and related asset impairments, as well as other, largely employee-related central costs, £1.0m past service cost in respect of retirement benefits GMP equalisation, £0.4m net costs in respect of the work commenced to refinance the Group, £0.2m net costs arising from cancellation of the OEM customer supply agreement in the prior year, £0.1m inventory provision relating to a customer who has ceased trading, less £0.3m credit for the release of a legacy health-related provision that is now settled.

Statutory operating profit is up £0.6m on prior year to £1.8m (FY23: £1.2m).

Net finance costs increased by £1.8m to £5.6m (FY23: £3.7m), this includes the imputed net interest on the defined benefit pension liability of £1.8m (FY23: £0.7m). Finance expense has increased despite a reduction in average net debt. Interest on bank loans and leases has increased as a result of sharp increases in base rates, with the average UK base rate in FY24 being 5.0% compared to 2.3% in FY23. Pension interest, although largely non-cash, has surged year on year, as a reduction in discount rates adversely impacts liabilities to a greater extent than assets are benefited.

Taxation credit for the year was £0.5m (FY23: £1.4m expense).

Statutory loss after tax was £3.3m (FY23: £4.0m) on continuing operations, giving a statutory loss per share on all operations of 4.5 pence (FY23: 5.4 pence).

Underlying profit after tax was higher than prior year at £0.8m (FY23: £0.3m), giving an underlying earnings per share of 1.1 pence (FY23: 0.4 pence).

As we deliver on our strategic priorities, we continue to report those KPIs which we consider best demonstrate the progress being made towards achieving our strategic goals. These are set out on pages 20 and 21.

A reconciliation of statutory to underlying non-GAAP financial measures is provided on pages 163 and 164.

Financial position

Net debt

During the year, we redirected our investment in capital expenditure towards those with a rapid payback, focusing on our continuous improvement strategy aimed at supporting asset performance and utilisation. Tangible additions were £7.5m (FY23: £5.8m) mainly in support of major customer programmes. Of this investment, £4.6m (FY23: £3.5m) was delivered via leasing.

Following the shift in strategic focus, improvements in our cash generation have reduced net debt. Net debt, including IFRS 16 lease liabilities, decreased in the year by £4.9m to £29.5m (FY23: £34.4m). Net debt excluding leases decreased £4.2m to £18.3m (FY23: £22.5m).

Finance review continued

Financial position continued

Cash

Cash generated from operations was £15.6m and 100.8% higher than the prior year (FY23: £7.8m), reflecting the change in strategy from a focus on top-line growth to cash generation via operational improvements and robust working capital control. Efficient management of working capital was a key contributor to cash performance and will continue to be our focus moving forward.

The focus on cash management resulted in a working capital turnaround benefit of £5.8m; with the current year working capital reducing by £4.6m against a prior period increase of £1.2m. Net cash outflow from investing activities during the year was £2.4m (FY23: outflow £0.8m) driven by £2.9m for capital investment in adapting production lines and facilities to improve operating performance in FY25 and beyond.

Net cash outflow from financing activities during the year was £12.1m (FY23: £4.7m), comprising £3.7m repayment of lease liabilities (FY23: £4.1m) and net repayment of other borrowings of £8.5m (FY23: £0.6m). There was an overall £4.4m reduction in cash during the year (FY23: £2.0m).

Cash generated by the Group was principally utilised to make capital investment and lease repayments, pension deficit repair contributions, scheduled and unscheduled bank loan repayments and interest payments. The Group's full cash flow statement is set out on page 92.

Debt

Total debt decreased by £9.3m during the financial year to £35.4m. It was reduced by £5.1m repayments of term loans (of which £3.7m were unscheduled), £3.2m repayment of the revolving credit facility, £3.8m repayments of lease liabilities and other loans, £1.3m lease remeasurement and £0.6m from positive foreign exchange movements. It was increased by £4.6m from new lease debt.

Bank facilities

On 5 July 2024, the Group successfully extended the facilities with the Company's lender for the multi-currency term and revolving facilities agreement to 31 December 2025.

The debt facilities available to the Group on 31 March 2024 comprise term loans of £24.0m, denominated in sterling 9.2m, in US dollars 13.3m and in euro 4.9m. Of the sterling loan, £2.3m will be amortised by 31 March 2025 and £3.8m will be amortised in the period between 31 May 2025 and 30 November 2025 before the balance becomes payable by the termination date, 31 December 2025. The facility also includes a £3.5m revolving credit facility, denominated in sterling, maturing 31 December 2025. The revolving credit facility was largely repaid in the period, leaving an amount drawn at 31 March 2024 of £0.3m (FY23: £3.5m).

Moving forward, the Group remains committed to prioritising the strengthening of its balance sheet and seeking alternative sources of financing. We will continue to closely monitor market conditions and work proactively with our bank to ensure our ongoing financial stability and success.

Segmental overview

CTP division

CTP revenue of £125.0m was down 8.6% (5.5% at constant currency) (FY23: £136.8m) with underlying volumes lower due to lower demand for PCR testing and lost business in FY23.

CTP divisional operating profit before exceptional items was £9.4m, £2.1m up on the prior year (FY23: £7.3m) reflecting the benefits of the EMEA restructuring and the start of restructuring in the US. Resulting underlying operating profit return on sales grew to 7.5% (FY23: 5.4%).

The CTP business principally operates in three key market sectors: Life Sciences, Precision Components and Optics. The Life Sciences segment experienced a marked fall in healthcare demand during the year, particularly in North America which is exposed to the larger life science analytics market. New product development activity remained high and is set to improve demand in the medium to long term. Demand in our traditional Optics market of eye care and after-market car-lighting significantly reduced, reflecting the constraints that consumers have seen as the cost of living increases. However, the products maintain a high contribution margin on the lowered activity level.

Cost reductions are being implemented which improved profitability in the second half, with this improved performance expected to continue into the new financial year and beyond. In the US, this included the strategic closure of our facility at Derry and the start of the closure of our Tucson facility, transferring production to our sites in Pennsylvania.

CTP Design & Engineering activity grew markedly with revenue at £21.6m, up 7.4% compared to the prior year (FY23: £20.1 m). CTP Manufacturing Solutions revenue was down 11.4% to £103.5m (FY23: £116.7m).

New control processes have been implemented to mitigate the impact of material price inflation. Business is being transferred to the APAC region and local marketing and sales activity has generated new business there. The EMEA region has implemented new energy efficiency initiatives, and the current focus is on improving the cost base and efficiency of the business's US operations. This had a significant positive impact on the performance in the second half of this financial year. Loss-making operations, which have been closed or are in the process of being closed, reported an operating loss in the year of £0.8m.

Aerospace division

In the Aerospace sector, we saw an impressive growth in revenue to a record level of £7.6m, growth of 15.1%, compared to £6.6m in FY23. This reflects increased demand as new airframes are being built, with build programmes recommencing after the COVID-19 lockdown, and new business won in South Asia. The business has a solid reputation for product quality. These factors drove operating profitability of £1.7m for the year, up by 11.8% on the prior year's £1.5m, overcoming the inflation challenges seen in all businesses. Our strategy to strengthen and deepen relationships with existing customers with exploration for new customers is achieving payback.

Central costs

Central costs increased by £1.6m to £4.5m, pre exceptional costs, largely due to the non-repeat of significant foreign exchange gains in the prior year and investing in stronger leadership of the Company. We will continue to seek ways to streamline our central expenses without compromising the quality of service we deliver to the business.

Finance review continued

Defined benefit pension scheme actuarial valuation

The last triennial actuarial valuation of the Group pension scheme was carried out as at 31 March 2021. This reported an actuarial technical provisions deficit of £82.8m.

The statutory accounting method of valuing the Group pension scheme deficit under IAS 19 resulted in an increase in the net liability to £37.2m as at 31 March 2024 (FY23: £34.5m).

Over the year, the Group's contributions to the scheme were £3.5m (FY23: £4.1m).

The pension maintains a 60% liability hedge via Liability Driven Investments ("LDI") and bond holdings.

Disclosures under IAS 19 may be volatile from year-to-year. This is because the liabilities are measured by reference to corporate bond yields, whereas the majority of the scheme's assets are invested across a variety of asset classes that may not move in the same way.

Treasury

The Group faces currency exposure on its overseas subsidiaries and on its foreign currency transactions. In addition, as set out in the principal risks and uncertainties section of the annual report and accounts, the plc is reliant on regular funding flows from the overseas subsidiaries to meet banking, pension and administrative commitments. To manage this complexity, we have enhanced the Group's management of cash, debt and exchange risks by strengthening our treasury function.

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, renminbi, Czech koruna and Indian rupee. In terms of sensitivity, based on the FY24 results, a 10% increase in the value of sterling against these currencies would have decreased reported profit before tax by £0.8m.

Dividend

Under the terms of the extended bank facilities agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending 31 December 2025.

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 pages 163 and 164.

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 FY24 is provided below:

£000 Continuing operations	Statutory	Exceptional items	Underlying
CTP operating profit	6,158	(3,259)	9,417
Aerospace operating profit	1,649	(50)	1,699
Central costs	(6,017)	(1,548)	(4,469)
Group operating profit	1,790	(4,857)	6,647
Net finance expense	(5,587)	–	(5,587)
Group (loss)/profit before taxation	(3,797)	(4,857)	1,060
Taxation credit/(expense)	498	743	(245)
Group (loss)/profit for the period	**(3,299)**	**(4,114)**	**815**
Basic (loss)/profit per share (pence)	**(4.5)p**	**(5.6)p**	**1.1p**

The exceptional items comprise:

£000	Group[1]
Rationalisation costs	(3,360)
Past service cost in respect to retirement benefits	(1,020)
Refinancing costs	(433)
Net costs arising from cancellation of future supply agreement	(188)
Settlement /(costs) in respect to legacy claims	284
Doubtful debt and related inventory provision	(140)
Total exceptional items	**(4,857)**

1. There were no exceptional items in respect to discontinued operations in the year to 31 March 2024.

Finance review continued

Post balance sheet events and going concern

Post balance sheet events

On 5 July 2024, the Group's lending bank extended the committed facilities to 31 December 2025.

Notice was given to the landlord on 12 April 2024 that the Company would exercise the break option to exit the leased buildings at Tucson, Arizona, USA on 1 October 2025 following the decision to close the facility at Tucson. The reduction in the lease liability of £1.3m has been reflected in the balance sheet at 31 March 2024 as the Company was certain to exit on closure.

Going concern

The financial statements are prepared on the going concern basis.

On 5 July 2024 the Group's lending bank extended the committed facilities to 31 December 2025. Since the year end, the Company has commenced a process to refinance the existing term loans and revolving credit facilities in order to provide the strategic funding for the next phase of the business development. Other than mentioned, since the year end there have been no significant changes to the Group's liquidity position.

As part of the original bank financing in August 2020 the Group became subject to four bank facility covenant tests. The quarterly covenants, and levels, to be tested are:

- underlying interest cover (minimum 1.45 in March 2024, increasing to 2.60 by December 2025);
- net debt to underlying EBITDA (2.75 maximum);
- core subsidiary underlying EBITA (50% minimum); and
- core subsidiary revenue (75% minimum).

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.

A schedule of contributions is also in place with the pension trustees with an agreed £3.5m to be paid annually until 31 October 2039. Additional contributions also agreed are 26% of any FY25 surplus over underlying EBITDA of £18m.

The Group is subject to a number of key risks and uncertainties, as detailed in the principal risks and uncertainties section on pages 37 to 42. Mitigation actions are also considered in this section. These risks and uncertainties have been considered in the base case and severe downside sensitivities and have been modelled accordingly.

The Directors have reviewed cash flow and covenant forecasts to cover the period of at least twelve months from the date of signing these consolidated financial statements, considering the Group's available debt facilities and the terms of the arrangements with the Group's bank and the Group pension scheme.

The base case forecast includes assumptions around revenue, margins, working capital and interest rates. The sensitivity analysis has considered the risks facing the Group and has modelled the impact of each in turn, as well as considering the impact of aggregating certain risk types, and shows that the Group is able to operate within its available facilities and meet its agreed covenants as they arise. Furthermore, the Directors have reviewed sensitivity testing, modelling a range of severe downside scenarios. These sensitivities attempt to incorporate identified risks set out in the principal risks and uncertainties section of this report.

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of: loss of business from discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group revenue of 3% matched by a corresponding fall in cost of sales of the same amount, and interest rate risk. Under these scenarios the Group would continue to meet minimum covenant requirements, although with minimal headroom under these scenarios in the next twelve months.

The downside testing did not allow for the benefit of any action that could be taken by management to mitigate the impact of the scenarios. Using the base case forecast the minimal underlying operating profit headroom, observed on the underlying interest cover covenant, would be £0.8m. This suggests that a £16m drop in revenue or a 12% drop in underlying operating profit would result in a breach of covenants.

The Group is not exposed to vulnerable sectors or vulnerable countries but is dependent on certain key customers, which create risks and uncertainties. These risks and uncertainties are documented, and the mitigating actions being taken are covered in detail in the principal risks and uncertainties section on pages 37 to 42.

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 and will be able to adhere to the covenant tests to which it is subject throughout at least the twelve-month period from the date of signing the financial statements.

Accordingly, these financial statements are prepared on a going concern basis.

Eric Hutchinson
Chief Financial Officer
26 July 2024

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 as to appetite levels in approaching risk to help set priorities and levels of focus.

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 its understanding of the actual and potential risks to our business as well as its resilience, performance, sustainability and success, to enable it to assess and respond to new opportunities as they arise and to provide fair and balanced information to shareholders and potential shareholders.

The Board has carried out an assessment of the principal risks facing Carclo plc, including those that would threaten its business model, future performance, and overall viability. 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 is continually enhancing processes for ensuring that the risk management stages such as event identification, risk assessment, selection of responses and risk reporting are working.

This includes 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 Group Executive Committee team. The risks are scored based on likelihood and severity to enable any significant risks to be readily identified and the appropriateness of mitigations to be considered.

The risk registers are reviewed, challenged and debated to keep them up to date and relevant to our strategy. Risks are escalated as appropriate.

During the year all the key risks identified by the sites were evaluated and aggregated, with the highest 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 and continued to be appropriate.

A risk schedule is tabled at Audit & Risk Committee and/or Board meetings at regular intervals, allowing the Directors to discuss the key risks currently identified alongside their mitigations and status of actions. This also includes emerging risks as identified at Group Executive Committee and Board meetings and instances of incurred losses against identified risks to enable assessment of the appropriateness of the mitigations.

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

The responsibilities of the Audit & Risk Committee are explained on pages 51 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 & 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.

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 on ensuring the efficiency and continuity of business activities. We aim to reduce the risks that threaten this continuity as much as possible. 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. Therefore, our risk acceptance in this regard is very low.
Financial	Low	We aim to maintain a solid financial position in order to provide stability and value add to our stakeholders including shareholders, our bank, the pension scheme trustees, our suppliers, and customers, who are all 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.

Principal risks and uncertainties continued

Risk	Mitigation

01. Treasury risk (funding, liquidity, foreign exchange (“FX”), and banking and pension covenants)

Change

Risk

On 5 July 2024, the Group successfully agreed with the Company’s bank to extend the Company’s facilities to 31 December 2025.

At 31 March 2024, total UK bank facilities were £27.5m, of which £3.5m related to a revolving credit facility (maturing on 31 December 2025) and £24.0m in term loan facilities which expire on 31 December 2025.

There are covenants over interest cover, net leverage, core subsidiary revenue and core subsidiary EBITA in respect of the agreed £27.5m committed debt facility. These are tested quarterly.

In terms of foreign exchange (“FX”) risk, Carclo plc has sterling, dollar and euro denominated bank debt and sterling debt for the pension scheme. There is a risk that insufficient income may be generated in foreign currencies, which could impact the Group’s ability to service the bank and pension liabilities.

Strengthening of sterling against the subsidiaries’ functional currencies creates a downside risk to P&L forecasts.

Potential interest rate increases could also increase debt servicing costs by approximately £0.1m for each 0.25% interest rate increase.

Volatility in performance has resulted in exposure to credit risk due to uncertainty in supporting financial covenants combined with the full year increasing cost of servicing debt.

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.

Mitigation

Funding and liquidity 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 and regular in-year reforecasts.

Since the inception of the bank facility in August 2020 the Group has made capital repayments of £10.4m up to the period ended 31 March 2024. The Group intends to continue to make scheduled repayments when due and to further accelerate repayment of the bank debt through additional unscheduled capital repayments, on an event-driven basis.

Group cash headroom at 31 March 2024 against bank facilities was £9.2m and net debt excluding lease liabilities was £18.3m.

Bank and pension covenant compliance monitoring

The Group maintains a regular dialogue with both the bank and the pension scheme trustees. 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 Chief Executive Officer and Chief Financial Officer.

Agreed bank and pension covenants have been met continuously since establishing the initial £38m bank debt facilities in August 2020.

Management of FX exposures

Divisional FX hedging accountability

FX risk is managed at subsidiary level through natural hedges or forward contracts where 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.

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.

Multi-currency bank debt hedging in place

USD 13.3m and EUR 4.9m of debt is held in currency, providing a hedge over parts of the Group’s net investment in foreign operations.

Interest rate management

The Group uses forward yield curves to forecast interest as part of its three-year planning process and runs sensitivities around increasing interest rates.

Over the three-year plan period the Group is targeting significant additional capital repayments on its debt facilities. Although finance costs are anticipated to increase in the short term due to recent market interest rate increases, the reduction in debt will bring future finance cost benefits.

Monitoring

The Group generally aims to generate sufficient cash to cover holding company funding requirements, 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 via dividends, royalties and management service recharges, such as IT, Group finance and management, as well as from 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

External advisors provide appropriate technical and legal guidance on inter-company trading, management charges and managing the appropriate and effective payments and receipts of inter-company cash.

Principal risks and uncertainties continued

Risk	Mitigation

02. Operational execution risk and management bandwidth/dependence on key individuals

Change

Risk

CTP is currently going through a period of change as it focuses on the delivery of significant improvements in operational performance. This includes a number of critical restructuring projects which if not executed well will absorb management time, impact customer relationships and hinder forecast earnings growth and cash generation.

Continued scarcity of labour globally, but in particular in the US, may impact the Group's ability to execute both projects and production.

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 decide to leave the Group.

Mitigation

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 rollout 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. Delivery of key restructuring projects is regularly monitored and the Board is kept appraised on progress to ensure projects are delivered on time and on budget.

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 owners and reporting managers and the use of operational KPIs reporting and monitoring.

03. Supply chain disruption and political uncertainty, leading to increasing input costs and extended lead times

Change

Risk

The disruption as a legacy of the pandemic on global industries with diverse supply chain dependencies such as Carclo continues, with increased supplier costs, delays, shortage of labour and materials resource having a significant impact on costs, profitability and customer service for the Group alongside many industries.

Furthermore, political uncertainty such as the Russian invasion of Ukraine, war in Gaza and heightened risk of wider conflict threatening supply chain routes, and other overseas trade issues such as US and China trade tariffs can naturally affect decisions by our customers to invest and therefore impact on our trading in those locations.

Mitigation

Process

The Committee and local management monitor and review relevant 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 bodies.

Increasing risk level

Supply chain difficulties and increased costs continued throughout 2023, particularly with regard to energy supply. Current uncertainties around the supply of petroleum-based material means that 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. Post-pandemic materials and labour shortages, subsequent higher cost, and greater delays in order fulfilment exacerbated by the war in Ukraine continue to challenge companies, including Carclo.

Offsetting opportunities

Management is putting an increased focus on operational effectiveness and efficiency to mitigate the effects of these challenges. Robust processes have been put in place to respond to price inflation in a timely manner.

Principal risks and uncertainties continued

Risk	Mitigation

04. IT security breach, systems failures

Change ↑

Risk

Hacking and ongoing data security risk is a concern for businesses everywhere. For listed companies like Carclo the risk increases. 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 has further heightened the 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 the 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.

Limited cyber breaches have resulted in the exploitation of internal control weakness through an intense social engineering fraud. The weakness exposed was a lack of oversight regarding the change to bank account details for supplier payments. False information led to the transfer of legitimate payments to a fraudulent bank account, and whilst some money was recovered through the banking system and the crime insurer made a settlement for part of the loss, the Company suffered a financial loss.

Mitigation

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.

During the last twelve months the Group has implemented a comprehensive suite of cyber protection software firewalls. Cyber controls have been put in place and are monitored closely and significant levels of cyber security training continue to be carried out across the Group. Multi-factor authentication has been implemented 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 now activated.

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, which is tested each year.

05. Reliance on major customers and credit risk

Change ⊖

Risk

A substantial part of the Group's revenue is concentrated in a relatively small number of large customers. Details in relation to concentration risk have been disclosed in note 3: segment reporting. Any underperformance could lead to the loss of existing or future business with the customer. 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-pandemic 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.

We have a major end customer of the Aerospace business, who along with the rest of the sector experienced a downturn in the aerospace market due to the pandemic. Orders are however now recovering strongly as air travel increases and aircraft build rates are reverting to more normal levels.

Mitigation

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.

Principal risks and uncertainties continued

Risk	Mitigation

06. Pensions

Change

Risk

Carclo's UK defined benefit pension scheme, having long since closed to new entrants, is mature and large compared with the size of Carclo.

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. Any change in 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.

Mitigation

Trustee liaison
The Group fully engages with the scheme via the 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, the trustees and the 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.

Investment strategy
The Company has participated in Trustee Board changes made to the scheme's investment management. The Trustee Board has adopted an investment strategy with some risk to enable asset growth to help reduce the scheme's deficit.

The trustees elected to reduce the level of the hedged technical provisions liability to 60% to help avoid the risk of hedges becoming unsupportable should gilt yields rise again. As a further stability measure, the scheme also maintains "cash flow matching" bonds covering a large proportion of the expected pension outflows for the next nine years.

Principal risks and uncertainties continued

Risk	Mitigation
07. Climate-related risks — Change	
The current global warming that is occurring brings an increased number of risks (and opportunities) to the Carclo Group, which, if not managed correctly, could have a major impact on Carclo's operational and financial outcomes and could lead to significant reputational damage.	**Governance** To ensure that Carclo complies with regulatory requirements and also uniformly addresses the significant risks and opportunities that climate change is bringing, Carclo has set up a governance structure to provide central control with appropriate delegation of authority to mitigate the risks posed. **Strategy** Our strategy involves engaging with stakeholders to better understand how the risks and opportunities are beginning to manifest themselves in the everyday operations of our factories and how best we might deal with them. We have also appointed an external climate consultancy to undertake a thorough risks and opportunities assessment to ensure that we align with regulatory requirements and can, at the same time, de-risk our business. **Risk management** Each business has been asked to identify risks and opportunities associated with climate change within their areas and these are then collated and considered centrally to ensure a complete and uniform approach to risk and opportunities management. **Metrics and targets** Carclo is a relatively large user of energy, with its associated climate connotations. We have appointed an external climate consultancy to define appropriate metrics and targets for each area of the Group to help meet climate obligations. The Board, through the governance structure that has been set up, will review the consultancy's work and seek to implement their recommendations to significantly improve our intensity ratios over a period of time.
08. Future global pandemics — Change	
The COVID-19 pandemic was an unexpected shock to the global economy and economic activity was suppressed globally. Differing approaches taken by different governments in response to virus mutations, outbreaks and waves, including lockdowns and shutting non-critical industry, created huge disruption to globalised supply chains. In the event of a further global pandemic or a resurgence of a more serious variant of COVID-19 there may be a risk to customer demand, supplier continuity and our own capability to deliver, meaning the Group needs to adapt to continually changing circumstances and be ready to respond at short notice. Despite the potential for increased demand from our life science customers, changing working practices and shutdowns would again have an impact on operational efficiency which would likely adversely affect profitability. During the pandemic the Group's Aerospace division witnessed a significant reduction in customers' aircraft newbuild programmes and a similar impact would be expected should a future global pandemic arise. In the event of any future pandemic the welfare of our employees would continue to be our top priority and we now feel better placed than previously to swiftly adopt new secure working practices, including home-based working, if required by government protocols.	Whilst there is nothing specific that can be done to prevent a future global pandemic at a Company level, Carclo has learned how to continue to work, albeit at a reduced output, during the COVID-19 pandemic and is now far better placed to deal with a future pandemic than was the case in early 2020. Home working, where possible, segregation of factory operatives, self-checking for symptoms and a higher level of stock items have all been found to be mitigants in reducing the overall impact of any outbreak, notwithstanding that the health and safety of our workforce is paramount.

Viability statement

The Board has assessed the viability of the Group over a three-year period to 31 March 2027 taking account of the Group's current position and the potential impact of the principal risks as documented in the previous pages.

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 2025 and the forecasts for the years ending 31 March 2026 and 31 March 2027.

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 2 September 2022, the Group successfully refinanced with the Company's bank, concluding a first amendment and restatement agreement relating to the multi-currency term loan and revolving facilities agreement dated 14 August 2020. The debt facilities available to the Group at 31 March 2024 comprise a term loan of £24.0m, of which £2.3m will be amortised by 31 March 2025, £3.8m will be amortised in the period between 31 May 2025 and 30 November 2025, before the balance becomes payable by the termination date, which, on 5 July 2024, was successfully extended to 31 December 2025. At 31 March 2024, the term loans were denominated as follows: sterling 9.2m, US dollar 13.3m and euro 4.9m. The facility also includes a £3.5m revolving credit facility, denominated in sterling, maturing on 31 December 2025.

Net debt at 31 March 2024 was £29.5m, reducing from £34.4m at 31 March 2023. Group performance during the year has enabled capital investment to be made with net debt excluding lease liabilities as of 31 March 2024 decreasing to £18.3m (FY23: £22.5m).

Key to the Group's viability, in addition to securing alternative borrowing facilities, is that the Group agrees with the pension scheme trustees a schedule of contributions which is both affordable from the perspective of the Group and also reduces the pension deficit at a rate deemed acceptable by the trustees of the pension fund. A full actuarial valuation was carried out as at 31 March 2021 in accordance with the scheme funding requirements of the Pensions Act 2024. Under the recovery plan agreed with the trustees following the 2021 valuation, a schedule of contributions was put in place, being £3.85m in respect to the year ended 31 March 2023 and £3.5m to be paid annually thereafter until 31 October 2039, plus an additional contribution of 26% of any FY25 surplus payable from 30 June 2025 to 31 May 2026.

The Directors have assessed that all contributions and bank repayments are affordable throughout the three-year period and are reflected in the covenant projections.

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. On 22 June 2023, the Group's lending bank agreed to adjustments of the interest cover and the net leverage covenants. Based on our current base case forecasts, these covenant tests are expected to be met for all periods.

The next triennial actuarial assessment of the Group's defined benefit pension scheme liability will be prepared as at 31 March 2024, with the schedule of contributions being reviewed and reconsidered between the employer and the trustees no later than by 31 July 2025. For the latest actuarial valuation (as at 31 March 2021) the scheme actuary has calculated the technical provisions deficit to be £82.8m; this deficit has decreased from the previous valuation deficit (as at 31 March 2018) of £90.4m.

In the context of the profitability and the cash generation of the Group this remains 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.

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.

In June 2024, the Company commenced to seek refinancing for the next three years. The programme is progressing well, with a number of potential lenders reviewing financing offers. The objective of the refinancing is to provide sufficient funding and working capital to support the strategic growth plan for the Company.

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, 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 supply chain disruption and unmitigated cost inflation on the Group arising particularly from political uncertainty such as the Russian invasion of Ukraine and heightened risk of wider conflict in the Middle East impacting supply chain logistics, possible overseas trading issues as well as other potential future global pandemic.

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 3% matched by a corresponding fall in cost of sales of the same amount, and a 1% increase in interest rates. These sensitivities attempt to incorporate the risks arising from impacts on manufacturing and supply chain and other potential increases to direct and indirect costs as well as treasury risk. The Directors consider that the Group has the capacity to take mitigating actions to ensure that the Group remains financially viable. 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 26 July 2024 and signed on its behalf by:

Frank Doorenbosch
Chief Executive Officer
26 July 2024

Eric Hutchinson
Chief Financial Officer
26 July 2024

Chair's introduction

The statement of corporate governance practices set out on the following pages, including the reports of Board Committees and any 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 2024. 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 "2018 Code").

The Board aims to maintain and, where appropriate, strengthen standards of corporate governance throughout the Group. The Board supports the principles laid down in the 2018 Code and continues to monitor the Group's governance practices. This includes regular review of key policies and procedures to ensure they remain fit for purpose.

Good governance is fundamental to the success of the Group and 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 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 skills, knowledge, ethnicity, age, experience, gender and perspective. All appointments are made on merit alone.

During the year our Nomination Committee oversaw an externally facilitated evaluation of the Board and each of its Committees. The conclusion of this evaluation was that whilst the Board and its Committees function effectively and that all Directors properly discharge their duties, there are some areas where there is a need for improvement, including a strengthening of our control environment, both financial and commercial, and to put more focus on succession planning. The Board is now working on an action plan to deal with the issues raised. A full report of the activities and the outcomes of the evaluation can be found on page 49.

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 22 to 27.

During the year, there were a number of changes on the Board.

Eric Hutchinson, formerly a Non-Executive Director, was appointed as Chief Financial Officer on 21 August 2023, succeeding David Bedford when he stepped down. Eric brings a rich history of industry experience, having significantly contributed to the transformation balance sheet fortification of Spirent Communication plc during his time as both Chief Financial Officer and Chief Executive Officer. As a result, Rachel Amey, Non-Executive Director, was appointed as Chair of the Audit & Risk Committee, interim Senior Independent Director and interim Chair of the Remuneration Committee.

A search was conducted for a permanent Senior Independent Director and Chair of the Remuneration Committee. Jon Templeman joined the Board as Senior Independent Director on 1 February 2024 but decided to step down on 27 February 2024. Rachel Amey was then appointed as Senior Independent Director on 28 February 2024.

Following the year end, Natalia Kozmina joined the Board as a Non-Executive Director on 22 April 2024 and was appointed as Chair of the Remuneration Committee from 1 May 2024.

I am confident we now have a strong Board with relevant experience to guide the business forward.

Our statement of compliance with the UK Corporate Governance Code is set out on page 45. The UK Corporate Governance Code 2024 (the "2024 Code") will apply to the Company from 1 April 2025. Work is underway to assess compliance with the 2024 Code and address any gaps as appropriate.

Joe Oatley
Non-Executive Chair
26 July 2024

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 Code, with the exception of Provisions 11, 24 and 32 for part of the year. 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 2018 Code.

From 21 August 2023 until 31 January 2024 and from 28 February to 21 April 2024, the Board did not comply with the requirements of the following provisions in the 2018 Code:

Provision	Requirement	Explanation
11	At least half the Board, excluding the Chair, should be independent Non-Executive Directors.	This situation arose as a result of Eric Hutchinson agreeing to move from his non-executive role into the role of Chief Financial Officer. Whilst a search was already underway for an additional Non-Executive Director, this was accelerated in order to identify an independent Non-Executive Director who would take on the roles of Senior Independent Director and Chair of the Remuneration Committee following Eric Hutchinson's role change. In the interim, Rachel Amey agreed to fulfil both roles. While the search was conducted, less than half the Board, excluding the Chair, comprised independent Non-Executive Directors. The Board was pleased to welcome Jon Templeman to the Board on 1 February 2024, who was appointed as a Non-Executive Director and Senior Independent Director. He was determined to be independent on appointment. He stepped down on 27 February 2024 and Rachel Amey was re-appointed as Senior Independent Director on a permanent basis. Natalia Kozmina joined the Board as a Non-Executive Director after the year end, on 22 April 2024. She was determined to be independent on appointment. At the date of this report, the Board meets the requirement that at least half the Board, excluding the Chair, are independent Non-Executive Directors.
24	The Board should establish an audit committee of independent Non-Executive Directors, with a minimum membership of two.	Eric Hutchinson's move to the role of Chief Financial Officer also led to the membership of the Audit & Risk Committee falling to a single independent Non-Executive Director. While the search for additional independent Non-Executive Directors was conducted, the Board fulfilled the responsibilities of the Audit & Risk Committee. On his appointment to the Board on 1 February 2024, Jon Templeman was also appointed as a member of the Audit & Risk Committee. After he stepped down on 27 February 2024, the Board once again fulfilled the responsibilities of the Audit & Risk Committee while the search for additional independent Non-Executive Directors was recommenced. On her appointment to the Board on 22 April 2024, Natalia Kozmina was also appointed as a member of the Audit & Risk Committee.
32	Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least twelve months.	Eric Hutchinson's move to the role of Chief Financial Officer also required the appointment of a new Chair of the Remuneration Committee. Rachel Amey agreed to fulfil this role in the interim while the search for a successor was conducted. On her appointment, she had not served on a remuneration committee for at least twelve months. Natalia Kozmina took over the role of Chair of the Remuneration Committee on 1 May 2024. On her appointment, she had not served on a remuneration committee for at least twelve months. Nevertheless, she has extensive experience in human resources, most recently in her executive role where she regularly attended remuneration committee meetings and worked with both the remuneration committee chair and management to shape executive leadership remuneration and policy changes. The Board believes this gives her the requisite skills and knowledge to perform the role.

Our Board

The Board

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.

Audit & Risk Committee

Monitors and reviews financial reporting, supporting the Board in observing its responsibility for ensuring the Group's financial systems provide accurate information which is properly reflected in the published accounts.

Reviews the effectiveness of the Group's internal control and risk management system, the need for an internal audit function and the work undertaken by the external auditor.

Reviews whistleblowing arrangements.

Nomination Committee

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. Where an additional appointment is considered appropriate, in light of its monitoring and review, the Committee develops a description of the role and capabilities required and proposes candidates for appointment to the Board.

Manages Board effectiveness reviews.

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

Remuneration Committee

Oversees and, where appropriate, recommends to the Board Carclo's overall remuneration policy, strategy and implementation including the alignment of incentives with reward and culture, taking into account employees' pay and rewards when setting the policy for Directors' remuneration.

Determines the remuneration for the Executive Directors and certain senior management.

Each Committee plays a vital role in helping the Board ensure that high standards of corporate governance are maintained throughout the Group. Only the Committee Chair and members of the Committees are entitled to be present at Committee meetings, but others may attend by invitation.

The authorities and duties of the Board and its Committees, as well as the roles and responsibilities of key individuals on the Board, are clearly set out in writing. These documents are reviewed and approved by the Board on an annual basis and are available on the Company's website.

Group Executive Committee

The Group Executive Committee comprises the Executive Directors together with senior managers determined by the Chief Executive Officer, including the heads of each business division. The Committee is responsible to the Board for running the ongoing operations of the Group's businesses and certain operational and administrative matters are delegated by the Board to the Group Executive Committee. The Committee usually meets on a monthly basis.

Representatives from Finance, IT, Legal and Health & Safety also attend Committee meetings as required.

The purpose of the Committee is to assist the Chief Executive Officer in the performance of their duties within the bounds of their authority, including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets;
- monitoring operating and financial performance;
- the assessment and control of risk;
- driving forward actions in ESG including TCFD; and
- the prioritisation and allocation of resources.

Our Directors

Joe Oatley
Non-Executive Chair

Joe was appointed a Non-Executive Director of the Company from July 2018 and 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 appointed Non-Executive Chair on 6 November 2022.

Skills and experience

Joe is currently the Deputy Chair at Wates Group Limited and a Non-Executive Director at Centurion Group Limited. From 2012 to 2018 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. 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 – Deputy Chair
Centurion Group Limited – Non-Executive Director

Frank Doorenbosch
Chief Executive Officer

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

After a short period acting as a consultant to the CTP division, Frank was appointed as Chief Executive Officer of Carclo plc on 6 October 2022.

Skills and experience

Frank has devoted the majority of his career to spearheading initiatives within the plastics industry, primarily at RPC Group plc, a leading supplier of film and packaging solutions. His comprehensive experience encompasses senior roles in operations, finance, sales and marketing, along with substantial enhancements in business practices, managing expansive operations throughout the EMEA and APAC regions. From 2016 to 2019, he held the position of CEO at RPC bpi group, where he was instrumental in driving significant turnarounds and strategic reorientations in the plastic packaging sector. An ardent proponent of environmental sustainability, Frank consistently champions the adoption of alternative processes and materials that minimise ecological footprints.

External appointments

Thingtrax Limited – Non-Executive Director
Impact Recycling Limited – Non-Executive Director
Plastic Science by Design – Managing Partner

Eric Hutchinson
Chief Financial Officer

Eric was appointed a Non-Executive Director of the Company on 7 January 2021 and Chair of the Audit & Risk Committee from 1 March 2021. Eric was appointed Senior Independent Non-Executive Director and Chair of the Remuneration Committee on 6 November 2022.

Eric was then appointed Chief Financial Officer and Group Company Secretary on 21 August 2023.

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 Communications plc, the London-listed data communications specialist. At Spirent he spent 13 years as CFO and then six years as CEO before retiring in 2019, 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.

External appointments

N/A

A Audit & Risk Committee   N Nomination Committee   R Remuneration Committee   Committee Chair

Our Directors continued

Rachel Amey
Independent Non-Executive Director

Rachel was appointed a Non-Executive Director of the Company on 1 March 2023 and was appointed Chair of the Audit & Risk Committee on 21 August 2023. She was appointed as interim Senior Independent Director from 21 August 2023 to 31 January 2024 and was re-appointed to this position permanently on 28 February 2024. From 21 August 2023 to 30 April 2024, she acted as interim Chair of the Remuneration Committee.

Skills and experience

Rachel trained as a chemical engineer and subsequently qualified as a Chartered Management Accountant. Rachel currently works as Director of Finance & Operations at the Newcastle upon Tyne Royal Grammar School and previously held a variety of financial positions with Smiths Group Plc from 2000 to 2008 and Cape Plc from 2008 to 2015, including Group Financial Controller from August 2008 to March 2014 and interim Chief Finance Officer from September 2012 to December 2012. Rachel was Group Financial Controller for LSL Property Services plc from 2016 to 2020. She is an experienced finance professional with substantial listed company experience as well as having IPO and M&A experience both in the UK and internationally.

External appointments

N/A

Natalia Kozmina
Independent Non-Executive Director

Natalia was appointed a Non-Executive Director of the Company on 22 April 2024. She was appointed Chair of the Remuneration Committee from 1 May 2024.

Skills and experience

Natalia is a senior business executive with a proven track record of leadership across life sciences and technology sectors and with a particular focus on HR and remuneration matters. She brings extensive US, UK and international operational and strategic experience, which she gained from a range of FTSE and Fortune 100 companies. Most recently Natalia was Executive Vice President and Chief Human Resources Officer for Convatec Group, a FTSE 100 global medical technologies business, where she also led the ESG strategy. Prior to this she held senior human resources roles in Iron Mountain and Smiths Group. Natalia's executive career has included leading global customer-centric businesses through rapid scale up, large-scale M&A and spin-offs, and operating in complex, highly regulated industries.

External appointments

N/A

Board membership

As at 31 March 2024, the Board comprised the Non-Executive Chair, the Chief Executive Officer, the Chief Financial Officer and one independent Non-Executive Director. As at the date of this report, the Board comprises the Non-Executive Chair, the Chief Executive Officer, the Chief Financial Officer and two independent Non-Executive Directors.

The Chair and each Non-Executive Director were independent on appointment and the Board considers the Non-Executive Directors to be independent in accordance with the 2018 Code.

Roles and responsibilities

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.

The Chief Executive Officer has responsibility for all operational matters and the development and implementation of Group strategy approved by the Board.

Board and Committee changes

- David Bedford stepped down as Chief Financial Officer and a Director effective 21 August 2023.
- Eric Hutchinson was appointed as Chief Financial Officer effective 21 August 2023, having served on the Board since 7 January 2021 as a Non-Executive Director.
- Rachel Amey was appointed as Chair of the Audit & Risk Committee, interim Senior Independent Director and interim Chair of the Remuneration Committee effective 21 August 2023.
- Jon Templeman was appointed as a Non-Executive Director and Senior Independent Director effective 1 February 2024. He also joined the Audit & Risk Committee on this date. He stepped down from these roles effective 27 February 2024.
- Rachel Amey was re-appointed as Senior Independent Director effective 28 February 2024.
- Natalia Kozmina was appointed as a Non-Executive Director effective 22 April 2024. She also joined the Audit & Risk, Nomination and Remuneration Committees on this date. She took over as Chair of the Remuneration Committee on 1 May 2024.

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 routinely considers actual and potential conflicts and a register is maintained by the Company Secretary and reviewed on an annual basis.

A Audit & Risk Committee | N Nomination Committee | R Remuneration Committee | Committee Chair

Board activities

The Board meets regularly, at least seven times each year, and there is contact between meetings to progress the Company's business. Senior executives below Board level are invited to attend meetings as required to present and discuss matters relating to their business areas and functions.

The Board aims to hold at least one Board meeting at a subsidiary facility during the year. These visits typically 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, one Board meeting was held at a subsidiary site, at CTP in Brno, Czech Republic.

The Board has a formal schedule of matters specifically reserved to it for decision, which includes the development of corporate strategy and the approval of annual budgets, major capital expenditure and potential acquisitions and disposals. Briefing papers are distributed to Directors in advance of Board meetings. All Directors participate in a full induction process on joining the Board and subsequently receive training and briefings, 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 scheduled meetings of the Board and its various Committees was as follows[1]:

	Board meetings	Remuneration	Audit & Risk	Nomination
	Scheduled meetings attended	Scheduled meetings attended	Scheduled meetings attended	Scheduled meetings attended
J Oatley	7/7	4/4	–	4/4
E Hutchinson	7/7	2/2	2/2	2/2
R Amey	7/7	4/4	5/5	4/4
J Templeman	1/1	1/1	1/1	1/1
F Doorenbosch	7/7	–	–	–
D Bedford	2/2	–	–	–

1. N Kozmina joined the Board after the year end so is not included in the table.

The full Board also meets when necessary to discuss important ad hoc emerging issues that require consideration between scheduled Board meetings. In the year ended 31 March 2024, the Board held a further 17 ad hoc Board meetings at which not all Directors were required to be present. Further, two ad hoc Audit & Risk Committee meetings, two ad hoc Nomination Committee meetings and five ad hoc Remuneration Committee meetings/written resolutions were arranged.

For the majority of the year, the Senior Independent Director was the only Non-Executive Director other than the Chair. As a result, it was not necessary to hold meetings with the other Non-Executive Directors without the Chair being present.

Board evaluation

In accordance with Provision 21 of the 2018 Code, an external evaluation of the Board's performance and that of its principal Committees was undertaken by BoardClic, an independent third-party consultant, and supervised by the Non-Executive Chair.

The 2018 Code requires that the Board of a FTSE 350 company or above should hold an externally facilitated evaluation at least every three years. Although not a requirement for a company of this size, the Board feels that holding an externally facilitated Board evaluation provides meaningful results and provides the Board with an identification of its strengths and any opportunities for improvement, as well as highlighting any training and development needs. Whilst the Board carried out an externally facilitated evaluation in 2023, the Board considered that repeating an independent review process with the same provider would provide greater opportunity for comparison and ensure continued objectivity within the evaluation process. The Board therefore re-engaged BoardClic to undertake the external Board evaluation exercise which took place towards the end of the financial year.

The process reviewed a broad range of issues including: the assessment and monitoring of the Company's strategy, the monthly Board meeting agenda and information flow, the conduct of Board meetings and the effectiveness of the discussion and decision making within them, and governance. There was also a review of the role and performance of the Board Committees. The results of the evaluation were collated by BoardClic including the provision of external benchmarking. The review identified a number of areas of strength including the quality of contribution and debate, and the awareness and consideration of key stakeholders in decision making.

Nonetheless the review also identified some areas where improvement was needed, in particular in the control environments, both financial and commercial, and people, where the business faces challenges in recruitment, retention and succession planning. These areas will form the basis of objectives for improving the effectiveness of the Board in the year ahead.

Board activities continued

Engagement with the workforce

In previous years the Board had adopted a process whereby each of its Non-Executive Directors was to engage with the workforce at one of Carclo's largest UK operating sites and Head Office. As a result of the significant changes on the Board, this approach was deemed to be inappropriate for this year and, instead, the Board relied on the insights provided by the Executive Directors and other senior management who attend Board meetings. This was augmented by insights gained from direct interaction with the workforce by the Non-Executive Directors whenever they visited sites. During the year, Non-Executive Directors visited the following sites: Latrobe (PA, USA); Export (PA, USA); Greensburg (PA, USA); Mitcham (UK); Bruntons (UK); Brno (Czech Republic). The Board will be revisiting its approach to future workforce engagement.

Accountability and audit

Internal control

The Board confirms that it has a process for identifying, evaluating and managing the principal material business risks faced by the Group. This 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 2024, 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 & Risk Committee reviews the effectiveness of the Group's internal control system, the need for an internal auditor and, if one is appointed, 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 identify and 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. The Audit & 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 Group delegation of authorities and a finance manual which dictates policies and practices applicable across the Group and includes accounting, purchasing, capital expenditure and codes of business conduct. These internal controls are monitored by the Audit & Risk Committee as part of its 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 regular 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

For part of the year, Grant Thornton provided an outsourced internal audit function, reporting to the Audit & Risk Committee and working to an agreed programme. During the year, on the recommendation of the Chief Financial Officer, this arrangement was terminated. The Audit & Risk Committee undertook activities to monitor the internal control environment throughout the year. An explanation of the decision to terminate the internal audit services provided by Grant Thornton is provided on page 52.

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 Non-Executive Chair and the Non-Executive Directors are available for separate discussions if required.

The Board uses the Annual General Meeting ("AGM") to communicate with private and institutional investors and welcomes their participation. The Board uses the Investor Meet Company platform to broadcast the AGM and other key presentations online, which enables shareholders to join remotely, facilitating broader engagement with the Company's shareholder base. Shareholders are also provided with 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. Voting is by poll.

By order of the Board

Eric Hutchinson
Company Secretary
26 July 2024

Audit & Risk Committee report

Rachel Amey
Chair of the Audit & Risk Committee

Dear Shareholder

I am pleased to present our Audit & Risk Committee report for the year ended 31 March 2024. I joined the Committee on 1 March 2023 and took over as Chair of the Committee on 21 August 2023. For part of the year, and to 21 April 2024, the Committee did not have sufficient members and so the Board fulfilled the Committee's responsibilities, and I chaired those parts of the Board's meetings. References to the Committee in this report are to the Board on the occasions it was fulfilling the Committee's responsibilities.

The report provides an overview of the Committee's role and shows how our work contributes to the success of the Group.

Annual statement by the Chair of the Audit & Risk Committee

The 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 appropriateness and application of accounting policies and practices;
- review financial statements, taking account of accounting policies adopted and applicable reporting requirements;
- advise the Board on whether the financial statements (half-yearly and annual report) give a fair, balanced and understandable explanation of the Group's performance, business model and strategy over the relevant period;
- oversee the internal controls of the Group and the effectiveness of those controls;
- monitor and review the effectiveness of any internal audit function;
- oversee and review the Company's risk management systems and the effectiveness of those systems;
- review and challenge judgements of management in relation to the financial statements;
- review all matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external auditor, including the provision of non-audit services, and to review the scope and results of the audit;
- review the Group's systems and controls for the prevention of bribery;
- review whistleblowing arrangements;
- review the Committee's terms of reference and carry out an annual review of the performance of the Committee; and
- 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.

Composition

The Committee comprises all the Non-Executive Directors excluding the Non-Executive Chair and usually meets at least four times annually.

During the year in question the Committee was chaired by Eric Hutchinson until 21 August 2023, when Rachel Amey was appointed as Chair following Eric's appointment as Chief Financial Officer. Eric is a Chartered Certified Accountant and former group CFO of Spirent Communications plc and was a committee member of the Financial Reporting Review Panel for nine years. Rachel is a Chartered Management Accountant and is currently Director of Finance & Operations at the Newcastle upon Tyne Royal Grammar School, having previously held a variety of senior financial positions with Smiths Group plc, Cape plc and LSL Property Services plc.

As such, the Board considers that both Eric and Rachel have recent and relevant financial experience. The Board is also satisfied that the Committee as a whole has relevant sectoral competence as required by the 2018 Code.

Meetings

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

Five scheduled and two ad hoc meetings were held during the year, two of which were scheduled to coincide with the Board's review and approval of the Group's half-year results statement and of its preliminary full-year results announcement. Three of these meetings were technically conducted as part of the Board meeting as the Committee had insufficient members.

Audit & Risk Committee report continued

Internal control and risk management

The Group has an existing system of internal controls and a risk management framework; however, during the year we have identified certain internal control weaknesses and, as such, we have reviewed our process and instituted a robust programme of internal control improvement. This includes a continuous review process, at both Executive and Board level, of all material areas including, but not limited to, financial, operational and compliance controls.

On behalf of the Board, all these activities are periodically reviewed by the Committee and their effectiveness assessed through oral and written reports from both internal (when appointed) and external auditors as well as management.

The Committee maintains a focus on continually improving both the internal control and risk management environment.

The Group has suffered Cyber-attacks which were successful because staff members accepted the inbound emails and follow-on telephone calls as genuine. As such, the attacks were social engineering frauds run by criminals ("Threat Actors") who persuaded staff members to act. Internal control procedures have been strengthened to ensure segregation of duties and implement additional internal checks and reviews. Cyber security software has been enhanced, with active 24/7 international monitoring by Sophos. Cyber awareness training has been repeated and enhanced for all staff in finance roles and with ongoing cyber security annual training more widely.

Further details of the Group's emerging and principal risks and uncertainties, together with the mitigating actions, are set out on pages 37 to 42 of the annual report and accounts.

Internal audit

The Committee reviews annually the arrangements for internal audit. Grant Thornton UK LLP provided the outsourced internal audit function for part of the year. During its appointment, the internal auditor monitored and reported on the system of internal control and worked to an agreed programme. This included reporting on the cyber-attack, identifying weaknesses in controls, and strengthening cyber software detection and prevention measures. The internal audit plan was set in the context of a developing assurance reporting process, was flexed to deal with any change in the risk profile of the Group and was approved by the Committee.

As part of the review previously mentioned, the requirement for an internal audit function was considered and, on recommendation of the Chief Financial Officer, the contract with Grant Thornton was cancelled in favour of an internal control function; this will remain under review.

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 any other matters that the auditor brings to the Committee's attention which, in the year to 31 March 2024, included the impact of changes in accounting standards and other financial reporting disclosures, impairment, goodwill, going concern and reviewing the appropriateness of accounting policies.

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 prepare a Viability Statement concerning the prospects of the Company, as required by the 2018 Code. During the financial year, the Committee reviewed the approach taken by the Directors in preparing 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 financial year is included on page 43.

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

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

- the IAS 19 pensions position. The Company has a defined benefit pension scheme with liabilities of approximately £130.4m and assets of approximately £93.2m as at 31 March 2024, resulting in a net retirement benefit obligation of £37.2m. These numbers are sensitive to the main assumptions used to calculate the deficit or surplus on the scheme and the Committee seeks confirmation that these assumptions are appropriate;
- the Group balance sheet value of goodwill. The balance of goodwill on the Group balance sheet as at 31 March 2024 is £22.0m. The Committee seeks to gain assurance through 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;
- impairment of other assets. Where there has been an "indicator" of impairment, the Committee seeks to gain assurance through the work undertaken by Group management when determining the level of impairment and estimates therein;
- revenue recognition on certain customer contracts. The Committee has supported 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 £77.5m in the Company balance sheet. The Committee seeks to gain assurance through 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;

Audit & Risk Committee report continued

Significant issues related to financial statements continued

- going concern. The 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;
- classification of exceptional items. Certain items during the period have been presented as exceptional as defined in the Group accounting policy. Alternative performance measures such as "underlying operating profit" have been defined and applied to identify a clear distinction between underlying performance and financial performance after accounting for exceptional items; and
- leases. Judgement has been applied by management when determining the level of expected certainty that a break option within a lease will, or will not, be exercised. Management also applies judgement when determining the imputed interest rate in the calculation of lease liability at inception. The Committee seeks to gain assurance from management's review and agrees with the judgement applied.

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. No deferred tax assets have been recognised in the UK entities as the central costs are considered likely to offset the trading profits. The Committee agreed with this approach;
- borrowings. Judgement has been applied by management to determine that the modification to the Group's existing borrowings during the period was non-substantial, and that interest payable on borrowings using an approximation of the effective interest rate was not materially different from that if effective interest rate had been applied. This view is supported by the Committee; and
- provisions. The Committee supports the level of provisions for restructuring and legacy health-related claims determined appropriate by management, which was supported by external advice where necessary.

The Committee considered whether the FY24 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 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.

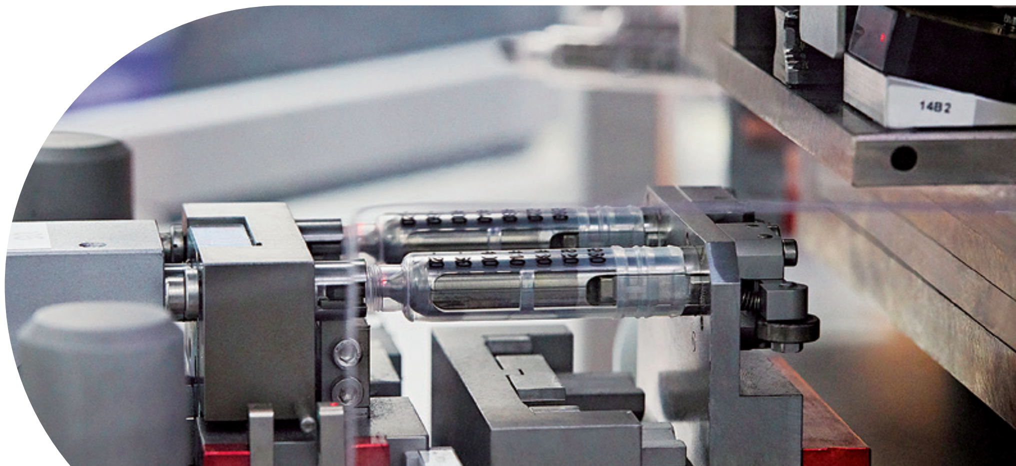
The Committee last initiated a tender process in December 2019.

Shareholders formally approved Forvis Mazars LLP's appointment at the 2020 AGM, and their re-appointment as external auditor will be proposed to shareholders at the forthcoming 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. The Committee has also adopted a policy regarding the employment of former employees of the external auditor. 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 2024 and the nature of the non-audit services provided appear in note 6 in the accounts. Non-audit fees totalled £41.5k. 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.

Rachel Amey
Chair of the Audit & Risk Committee
26 July 2024



Nomination Committee report

Joe Oatley
Chair of the Nomination Committee

Dear Shareholder

I am pleased to present our Nomination Committee report for the year ended 31 March 2024. The report provides an overview of the Committee's role and shows how our work contributes to the success of the Group.

Composition

The Committee comprises all of the Non-Executive Directors. It is chaired by the Non-Executive Chair, Joe Oatley.

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 for the Board and senior management positions, as well as identifying and recommending appropriate candidates for membership of the Board when vacancies arise. The Committee has applied the 2018 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 Committee also reviews the time required from each Non-Executive Director and any other significant commitments they may have. The FY24 review found the Non-Executives' time commitments to be sufficient to discharge their responsibilities effectively. Based on recommendations from the Committee, Directors submit themselves for election at the AGM following their appointment and thereafter annually for re-election in accordance with good governance.

Nomination Committee activities in FY24

The Committee had four scheduled and two ad hoc meetings during the year. The key deliverables of the Committee, some of which are discussed further below, were:

- review of the skills, knowledge and composition of the Board;
- recruitment of an additional Non-Executive Director;
- oversight of the external Board evaluation process, including evaluation of the Committee's performance;
- a review of the Committee's terms of reference;
- Board succession planning; and
- review of the Nomination Committee report for inclusion in the annual report and accounts.

Board skills, knowledge and composition

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 Committee has kept under review the composition of the Board, including considering 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.

While the Committee remained satisfied that the Board had a good mix of skills and experience, it considered that it could benefit from additional expertise and experience. It therefore commenced a process to recruit an additional Non-Executive Director.

The Committee supported the appointment of Eric Hutchinson as Chief Financial Officer when David Bedford stepped down. It particularly identified the benefit of Eric's existing knowledge of the Group and his extensive previous experience in similar roles.

As a result of Eric's move to the Chief Financial Officer role, the need to recruit at least one additional Non-Executive Director became more important, to ensure an appropriate balance of independence on the Board. The Committee identified Jon Templeman to join the Board, which he did on 1 February 2024 before stepping down on 27 February 2024. The Committee had also identified Natalia Kozmina to join the Board, which she did after the year end, on 22 April 2024.

All the Directors have many years of experience, gained from a broad range of organisations. They collectively bring a range of expertise and knowledge of different business sectors to Board deliberations, which encourages constructive, challenging and innovative discussions.

Nomination Committee report continued

Selection of new Directors – process

The Committee follows a formal process for the recruitment of new Directors, both Executive and Non-Executive. When considering candidates for appointment as Directors of the Company, the 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 then works with an appropriate external search and selection agency to identify candidates of the appropriate calibre. An initial candidate shortlist is agreed with the selected agency.

The agency is 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.

On 21 August 2023, Eric Hutchinson was appointed as Chief Financial Officer and an Executive Director, having served as a Non-Executive Director since January 2021. Rachel Amey, a Non-Executive Director, was appointed as Chair of the Audit & Risk Committee, interim Senior Independent Director and interim Chair of the Remuneration Committee.

Role specifications were drawn up for the recruitment of two Non-Executive Directors: one to be appointed as Senior Independent Director and the other to include chairing the Remuneration Committee.

An external search consultancy, Lygon Group, was engaged to identify potential candidates with the skillsets sought while also having in mind the diversity of the Board. From the initial list of potential candidates, shortlists were identified for interview by the Chair of the Board. Preferred candidates were then met by all the other members of the Board before offers were made. Lygon Group is an advocate for diverse boards and management teams, and actively promotes and encourages diversity in all forms. It is signed up to the Voluntary Code of Conduct for Executive Search Firms in line with the Board DEI Policy and is a signatory of the UK Government Voluntary Code of Conduct for Executive Search Firms in respect of diversity best practice. Lygon Group has no connection with the Company, the Board or any individual Director beyond that ordinarily expected through recruitment processes.

On 1 February 2024, Jon Templeman was appointed as a Non-Executive Director and as Senior Independent Director. He stepped down on 27 February 2024 and Rachel Amey was appointed as Senior Independent Director from 28 February 2024.

On 22 April 2024, Natalia Kozmina was appointed as a Non-Executive Director. She took on the role of Chair of the Remuneration Committee on 1 May 2024.

Induction of new Directors

All new Directors go through a tailored induction process. Following appointment, each Director receives a formal induction, linked to their individual experience and role on the Board, to familiarise them with their duties and our business operations, risk and governance arrangements. The induction programme, which is co-ordinated by the company secretarial team, may include briefings on regulatory matters, our strategy and business model, our history, as well as meetings with senior management in key areas of the business. These are supplemented by induction materials such as recent Board papers and minutes, governance matters, and relevant policies.

Newly appointed Directors may also meet the Company's external auditor, brokers and advisors. It is usual, as part of a Director's induction, for comprehensive site visits to be undertaken. Whilst it has been possible for Non-Executive Directors to visit UK sites, due to financial constraints on the business it has not been possible for the Non-Executive Directors to visit sites elsewhere around the globe. However, both Frank Doorenbosch and Eric Hutchinson (since their appointment to an Executive position) regularly visit many of the worldwide sites.

Board and Committee evaluation

The Board recognises that it needs to 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 Committee oversaw a review of the Board's performance, the details and conclusions of which are described on page 49.

The process included a review of the performance of the Non-Executive Chair and other Non-Executive Directors. The Senior Independent Director reviewed and considered those parts of the Board evaluation associated with the Chair's performance.

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 2018 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.

The Committee is 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 on 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 pages 65 and 66.

Diversity

The Board recognises the benefits to the Group of diversity in the workforce and in the composition of the Board, understanding that diversity of thought is 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, ensuring that any future appointment has the right competencies and knowledge to enhance the Board and workforce.

The Board recognises the link between diversity and performance and will always 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 of candidates as possible, with no restrictions on age, gender, religion, ethnic background or current employment, but whose competencies and knowledge will enhance the Board.

The Nomination Committee and the Board carefully considered the diversity-related reporting requirements set out in the Listing Rules and recommended by the FTSE Women Leaders Review. As at 31 March 2024, the Company had not met the Listing Rules targets set out under LR 9.8.6R (9), that at least 40% of our Board should be women and at least one individual on its Board of Directors should be from a minority ethnic background.

Nomination Committee report continued

Diversity continued

While the Directors are committed to a diverse organisation, which includes the Board, we will continue to appoint on merit, based on the skills and experience required for membership, while considering all forms of diversity, as well as independence.

- As at 31 March 2024, the Board comprised 25% women. As at the date of this report, the Board comprises 40% women, therefore meeting the targets set by the Listing Rules.
- As at the date of this report, the Senior Independent Director is female.
- During FY24 and as at the date of this report, no members of the Board were from a minority ethnic background. This was taken into account during the recruitment processes described above but no suitable candidates from a minority ethnic background were identified. It continues to be a focus when new appointments are made to the Board and we ask that search firms present a diverse pool of candidates throughout the search process.

Committee priorities for FY25

Looking to the year ahead, the Committee will:

- oversee the annual Board evaluation process;
- place further focus on succession planning, particularly in relation to diversity; and
- look to appoint and onboard a new Non-Executive Director.

Joe Oatley
Chair of the Nomination Committee
26 July 2024

Board gender representation (as at 31 March 2024)

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management[1]
Men	2	50	2	5	71
Women	1	25	1	2	29
Other categories	–	–	–	–	–
Not specified/prefer not to say	1	25	1	–	–

1. Executive management relates to members of the Group Executive Committee but does not include the Chief Executive Officer or Chief Financial Officer, as they are included as Board members. Data has been collected as part of the annual year-end process, whereby the Board and the executive management team received forms for self-completion. The declaration forms included, for all individuals whose data is being reported, the same questions relating to ethnicity and gender. The data is used for statistical reporting purposes only.

Ethnicity representation (as at 31 March 2024)

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management[1]
White British or other White (including minority-white groups)	2	50	2	4	57
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	2	50	2	3	43

1. Executive management relates to members of the Group Executive Committee but does not include the Chief Executive Officer or Chief Financial Officer, as they are included as Board members. Data has been collected as part of the annual year-end process, whereby the Board and the executive management team received forms for self-completion. The declaration forms included, for all individuals whose data is being reported, the same questions relating to ethnicity and gender. The data is used for statistical reporting purposes only.

Directors' remuneration report

Natalia Kozmina
Chair of the Remuneration Committee

Annual Statement

Dear Shareholder

I am pleased to present the Directors' remuneration report (the "Report") for the year ended 31 March 2024.

I was delighted to take on the role of Chair of the Remuneration Committee from 1 May 2024. I would like to thank Rachel Amey for her careful stewardship of the Committee before my appointment. While I was not appointed to the Board (and, by extension, the Committee) during the year under review, I have discussed the work of the Committee with my fellow Non-Executive Directors and can confirm my support for the remuneration framework and the decisions taken by the Committee during the year.

The Report has three sections:

- the Annual Statement, which summarises and explains the major decisions and changes in respect of Directors' remuneration;
- the Directors' Remuneration Policy (the "Policy") to be submitted for approval at the 2024 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 2024 and how the Policy will be operated for the year to 31 March 2025.

Leadership changes

The Committee supported the work associated with the changes in Group leadership during the year, including David Bedford stepping down as Chief Financial Officer and Eric Hutchinson's appointment in his place.

FY24 – performance and pay

Remuneration alignment to strategy

The Remuneration Committee rewards Carclo's executives in full alignment to Group strategy and based on the performance and the value created for the Group's shareholders.

Salary

An internal review concluded that basic salary for Executive Directors would not be increased during FY24.

Annual bonus

F Doorenbosch and E Hutchinson participated in the FY24 annual bonus scheme; however, due to the results, they will not receive a bonus for the period. D Bedford was not entitled to continue his participation in the FY24 annual bonus scheme following his departure.

The FY24 annual bonus scheme was focused on simple and transparent measures of performance against Group underlying EBIT. Accordingly, this Report should be read in conjunction with the strategic report.

Long-Term Incentive Plan ("LTIP")

As explained in prior years, the current LTIP scheme, the Carclo plc Performance Share Plan 2017 ("PSP"), was reviewed in 2021 and it was determined that it continued to meet the current needs of the Company.

The PSP is designed to reward delivery of the Company's strategy and long-term goals, and to help align the interests of executives and shareholders. Specifically, awards granted in FY24 to the Executive Directors and other senior management are intended to motivate and reward the leadership team for the execution of a successful turnaround for the Group.

Under the current Remuneration Policy, which was approved by shareholders in 2021, the Company can grant awards of up to 100% of salary in normal circumstances, and up to 200% of salary in exceptional circumstances. However, noting the Company's share price performance in FY24, it was recognised that awards of this magnitude were neither realistic nor sensible. Balancing shareholder interests with the need to motivate and retain the senior talent required to deliver the strategy, the Committee approved the grant of awards over a total of 3,315,000 shares in FY24 – equating to just under 5% of the issued share capital, and within the 10% authority available under the scheme rules. These awards will cover the next three-year period, i.e. no awards are expected to be made in FY25 or FY26 unless the Board believes it is necessary to recruit a new key hire. This equates to an effective annual dilution of around 1.6%.

The awards, whilst representing a large percentage of the Company's issued share capital, are significantly lower than the limits permitted under the PSP. The total award level respects dilution limits, and the individual award levels are considered to be motivational given the potential value at the maximum vesting level.

Directors' remuneration report continued

Annual Statement continued

FY24 – performance and pay continued

Long-Term Incentive Plan ("LTIP") continued

As for awards granted in FY23, the performance measures for the awards to vest are equally weighted between EPS and absolute TSR targets. The absolute TSR target was set at the time of grant, taking into account the preceding share price and ensuring that the target is sufficiently challenging to deliver material shareholder return.

Accordingly, awards were granted in FY24 to F Doorenbosch, E Hutchinson and other key executives under the terms of the PSP. Details of the awards granted to Executive Directors and the performance measures are provided on page 71.

Implementation of the Remuneration Policy for FY25

The current Policy was approved by shareholders at the 2021 AGM. The Committee reviewed the Policy and decided it was working effectively. Accordingly, the updated Policy to be presented for approval at the 2024 AGM has not materially changed from that approved in 2021. Changes proposed are to improve its operation, or to reflect recent trends in market practice and investor guidelines.

Subject to shareholder approval at the 2024 AGM, the following is the proposed implementation of the Policy for FY25:

- there will not be an increase in base salaries for the Executive Directors;
- 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 FY25 the annual bonus potential will continue to be based on demanding financial targets; and
- there will not be any LTIP awards granted under the PSP.

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. The Committee seeks to ensure the executive remuneration "mix" is in line with the 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.

Natalia Kozmina
Chair of the Remuneration Committee
26 July 2024

Compliance statement

This Report has been prepared in accordance with the requirements of the Companies Act 2006 (as amended), the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the UK Listing Authority Listing Rules and applies the principles set out in the 2018 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 FY24; 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 Policy or otherwise approved by ordinary resolution of the Company's shareholders.

Directors' remuneration report continued

Directors' Remuneration Policy

The proposed Policy for Directors is set out below, with notes explaining the changes from the Policy approved in 2021. It is subject to shareholder approval at the 2024 AGM on 5 September 2024 and will be effective from that date for a period of up to three years. It has not materially changed from the Policy approved in 2021, with only minor changes to improve its operation or to reflect recent trends in market practice and investor guidelines.

In developing the Policy, the Committee has kept in mind the requirements of the UK Corporate Governance Code 2018 for clarity, simplicity, risk, predictability, proportionality and alignment to culture.

2024 Policy table

Element of remuneration	Salary
Purpose and link to strategy	To provide an appropriate, competitive level of basic fixed income avoiding excessive risk arising from over-reliance on variable income. To attract and retain Executive Directors of suitable calibre to deliver business performance. Reflects individual skills and experience and role.
Operation	Reviewed annually by the Committee, normally effective 1 April. The review is informed by individual experience and performance, Company performance, wider pay levels and salary increases across the Group, and relevant pay data for similar roles at companies with similar characteristics and at sector comparators.
Maximum	No prescribed maximum annual increase, but will normally be no higher than the general increase for the wider workforce. In exceptional circumstances, the Committee may decide to award a higher increase for Executive Directors, for example, an increase in the scale, scope or responsibility of the role, development of the individual within the role, to take account of relevant market movements, and/or on the appointment of new Executive Directors.
Performance targets	N/A

No significant change to 2021 policy.

Element of remuneration	Other benefits
Purpose and link to strategy	Provides market-competitive benefits as part of the overall remuneration package, supporting the attraction and retention of Executive Directors of suitable calibre to deliver business performance. 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 on a market-related basis. May include car allowance, life insurance, private medical insurance and permanent disability insurance. Other benefits may be provided where appropriate, for example, in line with local market practice where an Executive Director is outside the UK.
Maximum	Benefits may vary by role and individual circumstance and are reviewed periodically. Benefits are not anticipated to exceed 10% of salary over the next three financial years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Company's control have materially changed (e.g. increases in medical premiums).
Performance targets	N/A

No significant change to 2021 policy.

Directors’ remuneration report continued

Directors' Remuneration Policy continued

2024 Policy table continued

Element of remuneration	Pension
Purpose and link to strategy	Provides market-competitive post-retirement benefits.
Operation	Executive Directors may receive a contribution to an HMRC-approved personal pension arrangement or a payment in lieu of pension contributions.
Maximum	Executive Directors may receive a maximum employer contribution to pension in line with that offered to the UK general workforce.
Performance targets	N/A

No significant change to 2021 policy.

Element of remuneration	Bonus
Purpose and link to strategy	Incentivises annual delivery of short-term financial and strategic business goals and business strategy. Maximum bonus payable only for achieving demanding targets.
Operation	Performance measures, targets and weightings are set for the financial year. Payments are calculated based on an assessment of performance against those targets by the Committee. At least 33% of any bonus earned will be deferred for two years. Not pensionable. Clawback and malus provisions apply. Details of when these may be applied are set out in the notes below.
Maximum	100% of salary. In normal circumstances, the CEO’s opportunity will be 100% of salary with other Executive Directors on 75% of salary.
Performance targets	Performance is assessed on an annual basis against relevant financial and, where relevant, personal or strategic objectives. The Committee sets the performance measures and weightings each year according to strategic priorities, although the weighting on financial measures will be at least 75%. Any bonus for personal or strategic performance is payable only if, in the opinion of the 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 conditions over the performance period. However, such discretion may be used only 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. The Committee also has discretion to adjust (including to nil) the formulaic outcome where it considers that: • the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period; • the outcome is not appropriate in the context of circumstances that were unexpected or unforeseen at the award date; • there exists any other reason why an adjustment is appropriate; and/or • it is appropriate to do so, taking into account a range of factors, including the management of risk and good governance and, in all cases, the experience of shareholders.

No significant change to 2021 policy.

Directors’ remuneration report continued

Directors' Remuneration Policy continued

2024 Policy table continued

Element of remuneration	Long-Term Incentive Plan ("LTIP")
Purpose and link to strategy	Incentivises delivery of longer-term financial and strategic objectives. To reward and retain successful leadership, reward delivery of the Company strategy and long-term goals, and to align executive and shareholder interests.
Operation	Nil cost options or conditional awards usually granted annually, which normally vest after three years subject to continued service and performance targets. The Committee sets performance targets for each performance cycle that it considers to be appropriately stretching. Awards made to Executive Directors will be subject to a “holding period”, which prohibits them from selling the 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) for five years following the date of grant. Clawback and malus provisions apply. Details of when these may be applied are set out in the notes below.
Maximum	100% of salary normal limit. 200% of salary exceptional limit – e.g. recruitment, “buyout” awards.
Performance targets	Performance is measured over three years. The Committee sets the performance measures and weightings for each grant to ensure they are linked to the delivery of Company strategy. The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business conditions 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. The Committee also has discretion to adjust (including to nil) the formulaic outcome where it considers that: • the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period; • the outcome is not appropriate in the context of circumstances that were unexpected or unforeseen at the award date; • there exists any other reason why an adjustment is appropriate; and/or • it is appropriate to do so, taking into account a range of factors, including the management of risk and good governance and, in all cases, the experience of shareholders.

No significant change to 2021 policy.

Directors' remuneration report continued

Directors' Remuneration Policy continued

2024 Policy table continued

Element of remuneration	Share ownership guidelines
Purpose and link to strategy	To align the interests of executives with those of 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. The Committee will monitor progress against this requirement on an annual basis. A reasonable time limit to achieve the required shareholding is normally considered to be five years from appointment as an Executive Director (subject to the Committee's discretion where personal circumstances dictate). Until such time as the shareholding guideline is met, Executive Directors will usually be required to retain: • 50% of any shares received (post-tax deductions) by them following the vesting of any equity-settled incentive for the first five years of their appointment; and • 75% of any shares received (post-tax deductions) by them following the vesting of any equity-settled incentive thereafter. Departing Executive Directors are required to hold shares received following vesting of any share-based incentive award up to 100% of salary, or their actual shareholding so arising if lower, for two years after leaving.
Performance targets	N/A

No significant change to 2021 policy.

Element of remuneration	Non-Executive Directors' fees and expenses
Purpose and link to strategy	To attract individuals with the required range of skills and experience. Reflects time commitments and responsibilities of each role. Reflects market-competitive fees.
Operation	Non-Executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-Executive Directors for chairing the Audit & Risk Committee and Remuneration Committee, as well as for performing the role of Senior Independent Director. Reviewed annually by the Board, normally effective 1 April. The review is informed by the required time commitment and responsibilities, and relevant fee data for sector comparators and FTSE-listed companies of similar size and complexity. Additional fees may be paid on an exceptional basis if the time commitment in any one year is significantly in excess of that normally expected. All fees are paid in cash. Non-Executive Directors are reimbursed for reasonable expenses, for example, travel and accommodation for business purposes. Any tax arising on those expenses is settled directly by the Company. To the extent that these are deemed taxable benefits, they will be included in the Annual Report on Remuneration, as required.
Maximum	No prescribed maximum annual increase, but it is expected that fee increases will normally be no higher than general salary increase for the wider workforce. However, in the event that there is a material misalignment with the market or change in complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. The Company's articles of association stipulate the maximum amount that may be paid in fees to Directors, specifically excluding any salary, remuneration or other amount payable pursuant to other provisions within the articles of association.
Performance targets	N/A

No significant change to 2021 policy.

Directors' remuneration report continued

Directors' Remuneration Policy continued

Notes to the Policy table

Performance measurement selection

For the annual bonus, performance measures are chosen to link performance to strategy and the business plan. Targets for the annual bonus are typically set with reference to Carclo's near-term strategy and internal budget, as well as taking into account relevant external reference points (e.g. broker consensus, market outlook). This approach aims to ensure that the target range set is appropriately challenging, without encouraging excessive risk-taking.

Performance conditions for the LTIP are selected by the Committee to reward the delivery of long-term returns to shareholders and the Group's financial growth and be consistent with the Company's objective of delivering superior levels of long-term value to shareholders. Target-setting for the LTIP follows a similar approach to that used for the annual bonus, as detailed above.

The LTIP is operated in accordance with the rules of the plan, the Listing Rules, company law and relevant tax legislation. The Committee retains discretion over certain areas relating to the operation and administration of the LTIP, consistent with market practice.

Remuneration policy for other employees

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

i) benefits offered to other employees generally comprise provision of healthcare and company car benefits only where required for the role or to meet market norms;

ii) a lower level of maximum annual bonus opportunity generally applies to employees below Board level;

iii) participation in the LTIP is limited to the Executive Directors and certain selected senior managers; and

iv) only Executive Directors, and not other employees, are expected to build and maintain a sizeable share-ownership position.

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.

Policy for the Non-Executive Directors

The Board determines the Policy and level of fees for the Non-Executive Directors, within the limits set out in the articles of association. No individual is allowed to participate in discussions relating to their own remuneration.

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

Non-Executive Directors do not participate in variable pay arrangements or receive any pension provision. They are not subject to any share ownership guideline.

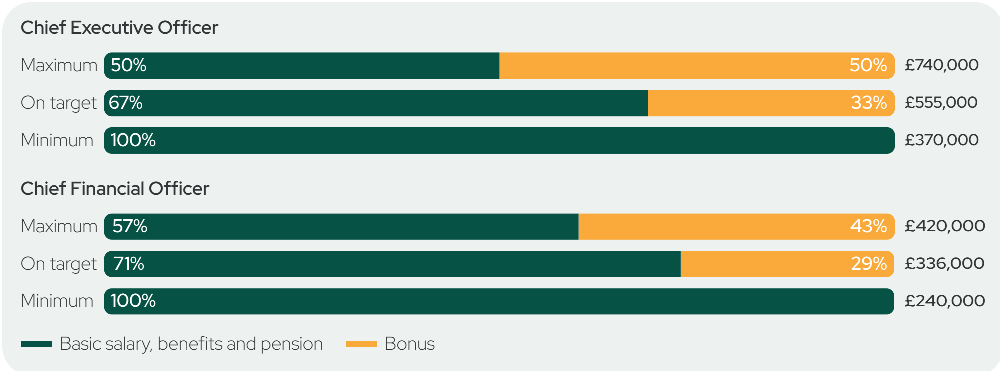
Legacy payments

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the Policy in force at the time they were agreed, or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes, "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Pay scenario charts

The graphs below provide estimates of the potential future reward opportunity for the two Executive Director positions for FY25, and the potential split between different elements of remuneration under four different scenarios: "Minimum", "On target", "Maximum" and "Maximum with share price increase" performance.



Directors’ remuneration report continued

Directors' Remuneration Policy continued

Pay scenario charts continued

Assumptions underlying each element of pay are provided in the table below.

Minimum

Fixed pay comprising base salary, benefits and pension

Base salary is the current base salary effective 1 April 2024

Benefits are the current benefits projected for the financial year ahead

No annual bonus and no vesting of the LTIP

On target

Based on remuneration if performance is in line with expectations

As for minimum, plus:

- Annual bonus – 50% of base salary for the CEO and 40% of base salary for the CFO
- No LTIP award to be granted in FY25, as explained in the Annual Statement from the Chair of the Remuneration Committee, so no value is included for LTIP awards

The projected value of the LTIP excludes the impact of share price growth and dividend accrual

Maximum

Based on maximum remuneration receivable

As for minimum, plus:

- Annual bonus – 100% of base salary for the CEO and 75% of base salary for the CFO
- No LTIP award to be granted in FY25, as explained in the Annual Statement from the Chair of the Remuneration Committee, so no value is included for LTIP awards

The projected value of the LTIP excludes the impact of share price growth and dividend accrual

Maximum with share price increase

Based on maximum remuneration receivable including the impact of share price growth

As for maximum but including share price appreciation of 50% during the performance period of the LTIP, although as no LTIP award is to be granted in FY25, as explained in the Annual Statement from the Chair of the Remuneration Committee, no value is included for LTIP awards

	Base salary £000	Benefits £000	Pension £000	Total fixed £000
F Doorenbosch	370	4[1]	0	374
E Hutchinson	240	0	0	240

1. Based on the figure from FY24.

Directors’ remuneration report continued

Directors' Remuneration Policy continued

Approach to remuneration on recruitment

The remuneration package for any new permanent Executive Director would be set in accordance with the terms of the Company’s prevailing approved Policy at the time of appointment and would reflect the experience of the individual.

In addition to normal remuneration elements, the Committee may offer additional cash and/or share-based remuneration when it considers these to be in the best interests of the Company (and therefore shareholders).

This will usually be to take account of remuneration relinquished by a new Executive Director as a result of them leaving their former employer (“buyout” awards).

In making any “buyout” award, the Committee would take account of, where possible, the nature, time horizons and performance conditions (including the likelihood of those conditions being met) of the forfeited awards. Any “buyout” award will typically be made under the prevailing annual bonus and LTIP scheme at the time of appointment, 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” award would usually have a fair value no higher than the awards forfeited. Shareholders will be informed of any such payments at the time of appointment.

The Committee will adopt a consistent approach, as detailed above, for both internal and external Executive Director appointments. Any variable pay element awarded in respect of a prior internal role will usually be allowed to pay out according to its original terms, without amendment. Where a promoted individual has contractual commitments made prior to their promotion to Executive Director, 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:

Term	Summary
Notice period	From the Company: six months. From the Executive Director: six months.
Termination payments	Pay in lieu of notice subject to normal tax and other statutory deductions. No notice or payment in lieu of notice where the Company terminates for cause. Any payment may be paid in one lump sum or in instalments. If paid in instalments, an Executive Director is required to mitigate their losses and any payments in lieu of notice may be reduced, potentially to zero, by any income received through such mitigation.
Remuneration and benefits	Operation of the annual bonus scheme and LTIP is at the Company’s discretion and is non-contractual.
Expenses	Reimbursement of expenses reasonably incurred in the proper performance of their duties.
Holiday entitlement	Chief Executive Officer: 25 working days plus public holidays. Chief Financial Officer: 26 working days plus public holidays.
Private medical insurance	Private medical insurance cover is at the Company’s discretion and is non-contractual.
Other benefits	Other benefits may include car allowance, life insurance, private medical insurance and permanent disability insurance, all of which are non-contractual. Executive Directors are eligible for other paid leave including adoption leave, maternity/paternity leave (as applicable), parental leave, shared parental leave, and bereavement leave in according with the Company’s then current policies.

Directors' remuneration report continued

Directors' Remuneration Policy continued

Service contracts continued

Term	Summary
Sickness	Payment for any period of sickness is at the Company's discretion and subject to set-off in respect of any statutory sick pay/social security sickness benefit or other benefits to which the Executive Director may be entitled.
Restrictive covenants	Chief Executive Officer: six months. Chief Financial Officer: during employment and, in relation to: • the Group's business, six months after leaving (less any period of garden leave) without the prior written consent of the Company; and • the Group's customers, key employees and products, twelve months after leaving (less any period of garden leave) without the prior written consent of the Company.
Effective date of contract	Chief Executive Officer: Frank Doorenbosch, 6 October 2022. Chief Financial Officer: Eric Hutchinson, 21 August 2023.

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, which are effective for a period of three years. Non-Executive Directors are subject to annual re-election at the AGM.

The principal terms of the Non-Executive Directors' letters of appointment are as follows:

Term	Summary
Termination	At the end of their latest term of office unless (i) terminated earlier by and at the discretion of either party or (ii) not re-elected by shareholders at an AGM during their term of office.
Fees	As set out in the Annual Report on Remuneration on page 72.
Expenses	Reimbursement of expenses reasonably incurred in the proper performance of their duties.
Time commitment	Each Non-Executive Director must be able to devote sufficient time to the role to fulfil their duties.

Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) at 26 July 2024 are set out below:

Non-Executive Director	Date of most recent letter	Unexpired term as at 31 March 2024[1]	Date of appointment	Last re-appointment at AGM
J Oatley	21 June 2024	To 19 July 2027	20 July 2018	31 August 2023
R Amey	21 February 2023	To 28 February 2026	1 March 2023	31 August 2023
N Kozmina	15 April 2024	To 21 April 2027	22 April 2024	n/a

1. Unless not elected/re-elected by shareholders at an AGM before this date.

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

Directors' remuneration report continued

Directors' Remuneration Policy continued

Policy on payment for loss of office

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 Directors' service contracts should not normally contain notice periods of more than twelve months.

There are no provisions within 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.

For individuals categorised by the Committee as "good leavers", an annual bonus may be payable with respect to the period of the financial year served by the departing Executive Director with the Committee ordinarily providing that such bonus will be adjusted pro rata for time served and paid at the normal payout date and subject to the usual assessment of the extent to which the relevant performance conditions have been satisfied. The Committee has the ability to exercise its discretion on the final amount actually paid and to waive the deferral period for the bonus.

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 LTIP 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 a "good leaver", awards will normally vest on the normal vesting date, although the Committee has discretion to determine that the awards may vest at an earlier date and to reduce the holding period. 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 served. The Committee has the ability to exercise its discretion on the final amount actually paid.

Malus and clawback

Awards granted under the Company's annual bonus and LTIP 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 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 above list is not exhaustive and other circumstances may also lead to the application of malus or clawback.

The application of malus (i.e. partial or full lapse of an unvested incentive opportunity) will be possible during 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 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 LTIP awards not yet performance-tested (i.e. malus);
2. reduction of deferred bonus or vested but not yet exercised/transferred LTIP award (i.e. malus); and
3. request for the repayment of an already-paid annual bonus and/or LTIP award (i.e. clawback).

An employee not in role at the time of the trigger event should normally 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.

Consideration of employment conditions elsewhere in the Company

When determining the Policy and arrangements for Executive Directors, the Committee considers pay and employment conditions elsewhere in the Group to ensure that pay structures are suitably aligned and that levels of remuneration remain appropriate. The Committee reviews levels of basic salary increases for other employees and executives based on their respective locations. It reviews participation in the annual bonus scheme and the LTIP. It also considers benefits offered throughout the workforce.

Consideration of shareholder views

In its ongoing dialogue with shareholders, the Committee seeks shareholder views and takes them into account when any significant changes are being proposed to remuneration arrangements and when formulating and implementing the Policy. For example, shareholders were consulted ahead of the granting of the LTIP awards under the PSP in FY24.

Directors' remuneration report continued

Annual Report on Remuneration

The following section provides details of how the Policy was implemented during the financial year ended 31 March 2024.

Remuneration Committee membership in FY24

The Remuneration Committee currently comprises N Kozmina, R Amey and J Oatley, and is chaired by N Kozmina. E Hutchinson was a member and Chair of the Committee until 21 August 2023. R Amey chaired the Committee from 21 August 2023 to 30 April 2024.

The Committee had four scheduled and five ad hoc meetings/written resolutions during FY24 and individual Committee members attended all meetings that they were eligible to attend during the year under review.

During the year, the Committee sought internal support from the Chief Executive Officer and Chief Financial Officer, who attended Committee meetings by invitation from the Committee Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The Chief Executive Officer and Chief Financial Officer were not involved in any decisions that related directly to their own remuneration.

Independent advice

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. During the year, Ellason LLP provided such advice. Ellason LLP has no connection with any individual Director. During the year £8,652 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 FY24 remuneration report at the 2023 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	19,924,738	98.76
Against	249,996	1.24
Total votes cast (excluding withheld votes)	20,174,734	100.00
Votes withheld	33,109	
Total votes cast (including withheld votes)	20,207,843	

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

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 2024 and the prior year:

Name		Salary £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
F Doorenbosch[3]	**FY24**	**370**	**8**	**0**	**0**	**0**	**378**	**0**	**378**
	FY23	335	7[8]	0	0	0	342	0	342
D Bedford[4]	**FY24**	**84**	**18**	**0**	**0**	**4**	**106**	**0**	**106**
	FY23	83	8[8]	0	0	4	95	0	95
E Hutchinson[5]	**FY24**	**148**	**0**	**0**	**0**	**0**	**148**	**0**	**148**
	FY23	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
N Sanders[6]	**FY24**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	FY23	116	0	0	0	0	116	N/A	116
P White[7]	**FY24**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	FY23	138	7	0	N/A	N/A	145	0	145

1. Benefits comprise private medical cover, car allowance and business expenses chargeable to income tax in the UK.
2. Payments in lieu of pension contributions are in line with the Remuneration Policy.
3. F Doorenbosch became an Executive Director from 7 June 2022 and worked on a consultancy basis until being formally appointed Chief Executive Officer from 6 October 2022. Remuneration relating to his executive roles within the year ended 31 March 2023 relates to the period 7 June 2022 to 31 March 2023 whilst acting in an executive capacity.
4. D Bedford was appointed as a Director and Chief Financial Officer on 14 November 2022 and stepped down on 21 August 2023. His remuneration in the year ended 31 March 2023 relates to the period 14 November 2022 to 31 March 2023; his remuneration in the year ended 31 March 2024 relates to the period 1 April 2023 to 21 August 2023. D Bedford received a payment in lieu of notice ("PILON").
5. E Hutchinson's remuneration in the year ended 31 March 2024 relates to the period 21 August 2023 to 31 March 2024.
6. N Sanders' remuneration in the year ended 31 March 2023 relates to the period 1 April 2022 to 5 October 2022, when he stepped down as Executive Chair, and includes a PILON payment of £112,500.
7. P White's remuneration in the year ended 31 March 2023 relates to the period 1 April 2022 to 14 November 2022, when he stepped down from the Board. P White continued to be employed by the Company and paid a salary and benefits until his contractual leave date of 30 June 2023.
8. Restated to include tax paid on behalf of the relevant Director on expenses chargeable to income tax in the UK.

Payments to former Directors

In line with the terms of his retirement, Phil White received £4,435, being the deferred element of bonus earnt during his time as Chief Financial Officer.

Payments for loss of office

On ceasing to be employed by Carclo, and in accordance with the terms of D Bedford's contract of employment, he received a payment in lieu of his six-month notice period and private medical insurance for the six-month period which equated to £124,865.

Directors' remuneration report continued

Annual Report on Remuneration continued

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 2024 and the prior year:

Name		Fees £000	Benefits £000	Annual bonus £000	LTIP and other share-based payments £000	Pension £000	Total fixed £000	Total variable £000	Total £000
J Oatley[1]	**FY24**	**90**	**0**	**0**	**0**	**0**	**90**	**0**	**90**
	FY23	65	0	0	0	0	65	0	65
R Amey[2]	**FY24**	**44**	**0**	**0**	**0**	**0**	**44**	**0**	**44**
	FY23	3	0	0	0	0	3	0	3
F Doorenbosch[3]	**FY24**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	FY23	8	0	0	0	0	8	0	8
E Hutchinson[4]	**FY24**	**46**	**0**	**0**	**0**	**0**	**46**	**0**	**46**
	FY23	19	0	0	0	0	19	0	19
N Sanders[5]	**FY24**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
	FY23	8	0	0	0	0	8	0	8
J Templeman[6]	**FY24**	**4**	**0**	**0**	**0**	**0**	**4**	**0**	**4**
	FY23	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. J Oatley acted as Senior Independent Director until 6 November 2022, when he was appointed as Non-Executive Chair.
2. R Amey was appointed as a Non-Executive Director on 1 March 2023. She was appointed as interim Senior Independent Director from 21 August 2023 to 31 January 2024 and on a permanent basis from 28 February 2024. She was appointed Chair of the Audit & Risk Committee from 21 August 2023. She was interim Chair of the Remuneration Committee from 21 August 2023 until 30 April 2024. In recognition of the fact that R Amey held multiple Committee Chair roles and was supporting J Templeman as he took on the role of Senior Independent Director, she continued to be paid an enhanced fee during the month of February 2024.
3. F Doorenbosch was appointed as an Executive Director from 7 June 2022 and worked on a consultancy basis until being formally appointed Chief Executive Officer from 6 October 2022. Remuneration relating to his non-executive role within the year ended 31 March 2023 relates to the period 1 April 2022 to 6 June 2022.
4. E Hutchinson acted as a Non-Executive Director and Audit & Risk Committee Chair until 6 November 2022, when he was also appointed as the Senior Independent Director. He became an Executive Director from 21 August 2023. His remuneration in the year ended 31 March 2024 relates to the period 1 April 2023 to 20 August 2023.
5. N Sanders became Non-Executive Chair on 6 October 2022 and stepped down from the Board on 5 November 2022.
6. J Templeman was appointed as Non-Executive Director and Senior Independent Director on 1 February 2024 and stepped down on 27 February 2024.

Incentive outcomes for the year ended 31 March 2024 (audited)

Annual performance bonus outcome FY24

Name	Maximum potential % of salary	Outcome % of salary
F Doorenbosch	100	0
D Bedford[1]	75	0
E Hutchinson	75	0

1. D Bedford was not entitled to a bonus payment in relation to FY24 following his departure in the year.

Directors' remuneration report continued

Annual Report on Remuneration continued

Incentive outcomes for the year ended 31 March 2024 (audited) continued

Annual performance bonus outcome FY24 continued

The financial performance targets applicable to the FY24 annual bonus arrangements for the Executive Directors were as follows:

To achieve and exceed the Group's underlying EBIT.

All payments were subject to a reduction:

- of 10% if the Group's operating cash conversion rate was below the level achieved in the previous financial year; and/or
- of 10% if the Group's health and safety incident frequency rate exceeded that of the previous financial year.

To achieve threshold, the Group was required to achieve underlying EBIT performance of £6.3m. Underlying EBIT, after adjustments to reduce this to reflect certain exceptional items that the Remuneration Committee deemed should be included in underlying EBIT for the purposes of the bonus calculation, was £6.1m.

Consequently, none of the potential annual bonus was achieved and therefore no payment will be made to the Executive Directors in respect of the FY24 annual bonus.

Scheme interests awarded in the year ended 31 March 2024 (audited)

FY24 LTIP

	Date of grant	Share price at date of award made during the year	Shares subject to awards	Face value at date of award
F Doorenbosch	21/09/2023	12.725p	1,250,000	£159,063
E Hutchinson	21/09/2023	12.725p	750,000	£95,438

Awards take the form of conditional share awards.

The extent to which awards granted in the year ended 31 March 2024 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 40 pence or less, the TSR Award will not vest to any extent;
- if TSR is 100 pence or above, the TSR Award will vest in full; and
- if TSR falls between 40 pence and 100 pence, a proportion of the TSR Award will vest, calculated by straight-line apportionment.

The measurement period relates to the period of 60 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. At 31 March 2024, the closing share price was 7.45 pence.

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

The EPS element:

The performance period is the period of three financial years of the Company between 1 April 2023 and 31 March 2026.

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 2026), as follows:

- if EPS is 6.0 pence or less, the EPS Award will not vest to any extent;
- if EPS is 10.0 pence or above, the EPS Award will vest in full; and
- if EPS falls between 6.0 pence and 10.0 pence, a proportion of the EPS Award will vest, calculated by straight-line apportionment.

Implementation of Remuneration Policy for the year ending 31 March 2025

A summary of how the Policy will be applied during the year ending 31 March 2025 is set out below:

Basic salary

Executive Directors' base salaries.

	FY25	FY24[1]	% increase
F Doorenbosch	**£370,000**	£370,000	0
E Hutchinson	**£240,000**	£240,000	0

1. Full-year equivalent.

Below Executive Director level, base pay increases are limited to cost-of-living adjustments, typically in the range 4% to 8%, apart from cases where local statutory requirements require a different approach, promotions, increases in scope or other exceptional reasons. There has not been an increase in base salaries for the Executive Directors in the period. The Board is mindful of the pressures during the current economic climate, particularly increases in cost of living, and is working hard to ensure support is provided to employees throughout this difficult period.

Pension arrangements

As agreed with F Doorenbosch and E Hutchinson, neither Executive Director receives employer pension contributions. Prior to his appointment as Chief Financial Officer, D Bedford received a pension contribution of 5%. Upon his appointment, he continued to receive the same contribution.

Directors' remuneration report continued

Annual Report on Remuneration continued

Implementation of Remuneration Policy for the year ending 31 March 2025 continued

Annual bonus

Subject to approval of the Policy at the 2024 AGM, it is anticipated that the maximum bonus potential for the year ending 31 March 2025 will be 100% of salary for the CEO and 75% of salary for the CFO. The bonus will be based on a financial measure, being underlying EBIT. In recognition of the importance of safety to the business, the Company has included an automatic reduction for any drop in safety performance compared with the prior financial year. An automatic reduction will also be applied for any drop in cash conversion performance compared with the prior financial year. Finally, an overall affordability underpin will be applied to all formulaic outcomes. 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 the Remuneration Committee retains the discretion to adjust awards where appropriate to reflect underlying financial and operating performance of the Group. 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 FY25 business plan, although specific targets are deemed to be commercially sensitive and will not be published until such time as 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

As explained in the Annual Statement from the Chair of the Remuneration Committee, it is anticipated that no LTIP awards will be granted in FY25 unless the Board believes it is necessary to recruit a new key hire. If an award is considered necessary, it will be granted in line with the Policy.

Following its review of the Policy, the Committee has determined that the LTIP is currently fit for purpose.

The Committee believes the scheme works by closely aligning Executive Directors' long-term interests with those of the Company and its shareholders. As set out in the Policy, awards will be subject to malus and clawback provisions, and to 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 chairing of Board Committees. A summary of current fees is shown in the table below. The Chair is paid a single fee for all of their responsibilities. The Senior Independent Director is also not entitled to receive any remuneration for chairing any Committees.

Fee levels for FY25 can be summarised as follows:

Provision	FY25	FY24	% increase
Non-Executive Chair base fee	**£90,000**	£90,000	0
Non-Executive Director 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 2023 and 31 March 2024 compared to that of the total amounts for all UK employees of the Group for each of these elements of pay. The figures used to calculate the percentage changes for Directors are annualised salary/fees, benefits and bonus on a comparable basis. Prior year figures have been restated to ensure all figures are presented on a consistent basis. Over time, a five-year comparison will be built up.

	FY23 to FY24			FY22 to FY23			FY21 to FY22			FY20 to FY21		
	Base salary/fee	**Benefits[16]**	**Bonus**	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus
Executive Chair												
N Sanders[1]	**–**	**–**	**–**	50.00%	–	–	0.00%	–	–	–	–	–
Chief Executive Officer												
F Doorenbosch[2]	**0.00%**	**(4.76)%**	**0.00%**	–	–	–	–	–	–	–	–	–
Executive Directors												
D Bedford[3]	**0.00%**	**102.5%**	**0.00%**	0.00%	0.00%	0.00%	–	–	–	–	–	–
A Collins (interim CEO)[4]	**–**	**–**	**–**	–	–	–	–	–	–	0.00%	–	–
M Durkin-Jones[5]	**–**	**–**	**–**	–	–	–	–	–	–	0.00%	–	–
E Hutchinson[6]	**–**	**–**	**–**	–	–	–	–	–	–	–	–	–
P White[7]	**–**	**–**	**–**	3.00%	1.82%	(100.00)%	0.00%	(8.33)%	(71.15)%	–	–	–
Non-Executive Directors												
J Oatley[8]	**0.00%**	**–**	**–**	0.00%	–	–	22.23%	–	–	0.00%	–	–
R Amey[9]	**0.00%**	**–**	**–**	0.00%	–	–	–	–	–	–	–	–
F Doorenbosch[2]	**–**	**–**	**–**	–	–	–	3.35%	–	–	–	–	–
E Hutchinson[6]	**0.00%**	**–**	**–**	0.00%	–	–	4.79%	–	–	–	–	–
N Kozmina[10]	**–**	**–**	**–**	–	–	–	–	–	–	–	–	–
P Slabbert[11]	**–**	**–**	**–**	–	–	–	–	–	–	0.00%	–	–
J Templeman[12]	**–**	**–**	**–**	–	–	–	–	–	–	–	–	–
D Toohey[13]	**–**	**–**	**–**	–	–	–	–	–	–	0.00%	–	–
Average percentage change for UK employees[14, 15]	**4.75%**	**20.39%**	**(42.49)%**	5.36%	1.33%	(19.25)%	2.9%	19.4%	(54.1)%	3.4%	0.00%	720%

1. Stepped down on 5 November 2022.
2. Non-Executive Director from 1 April 2022 to 6 June 2022. Appointed as an Executive Director from 7 June 2022. Appointed as CEO on 6 October 2022.
3. Appointed as CFO on 14 November 2022. Stepped down on 21 August 2023.
4. Stepped down on 5 October 2020.
5. Stepped down on 17 December 2020.
6. Non-Executive Director from 6 November 2022 to 20 August 2023. Appointed as CFO from 21 August 2023.
7. Stepped down on 14 November 2022.
8. Non-Executive Director to 5 November 2022. Appointed as Non-Executive Chair from 6 November 2022.
9. Non-Executive Director to 20 August 2023. Senior Independent Director from 21 August 2023 to 31 January 2024 and from 28 February 2024.
10. Non-Executive Director from 22 April 2024.
11. Stepped down on 31 March 2021.
12. Non-Executive Director from 1 February 2024. Stepped down on 27 February 2024.
13. Stepped down on 31 March 2021.
14. 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.
15. The bonus figures are for UK-based employees who participate in a bonus arrangement.
16. Changes in benefits largely reflect changes in business expenses chargeable to income tax.

Directors' remuneration report continued

Annual Report on Remuneration continued

Relative importance of spend on pay

The table below shows the Group's actual expenditure on pay (for all employees) relative to the losses for FY23 and FY24.

	FY24 £000	FY23 £000	% change
Staff costs	**38,642**	40,709	(5.1)%
Loss for the period	**3,299**	3,957	(16.6)%
	Number	Number	% change
Number of employees	**1,059**	1,116	(5.1)%

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.

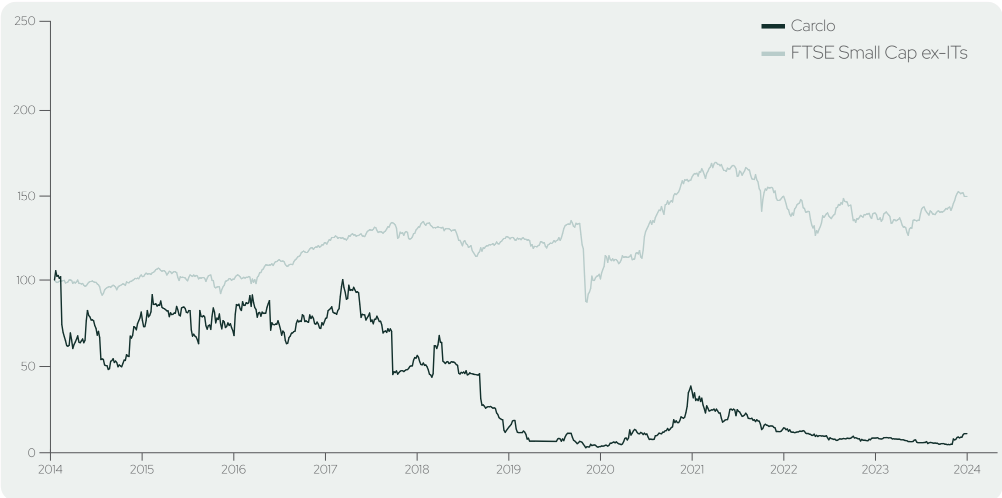


Table of historical data (Chief Executive Officer/Executive Chair)

	FY15	FY16	FY17	FY18	FY19	FY20[1]	FY21[2]	FY22[3]	FY23	FY24
Chief Executive/ Executive Chair single figure of remuneration (£000)	538	462	836	449	325	270	321	150	458[4]	**378**
Annual bonus payout (as % of maximum)	71	21	96	–	–	–	–	–	–	**–**
PSP vesting (as % of maximum)	–	50	50	32.5	–	–	–	–	–	**–**

1. C Malley was appointed Chief Executive on 27 March 2013 and 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 for FY20 is a combination of both, reflecting the period in which M Rollins acted as Executive Chair and A Collins acted as Chief Executive.
2. 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 FY21 is a combination of both, reflecting the period in which A Collins acted as CEO and N Sanders acted as Executive Chair.
3. N Sanders stepped down as Executive Chair on 6 October 2022 and F Doorenbosch was appointed as CEO effective 6 October 2022. Consequently, the full-year data for FY23 is a combination of both, reflecting the period in which N Sanders acted as Executive Chair and F Doorenbosch acted as CEO.
4. Restated to exclude payment for loss of office for N Sanders and to include tax paid on behalf of the relevant Director on expenses chargeable to income tax in the UK.

Directors' remuneration report continued

Annual Report on Remuneration continued

CEO pay ratio reporting

Outlined below is the ratio of the CEO's single figure of total remuneration for FY24 expressed as a multiple of total remuneration for UK employees. The ratios provided for prior years use a combination of the CEO's and the Executive Chair's single figure of total remuneration, as explained above under the table of historical data (CEO/Executive Chair), reflecting the period each role undertook, the role of CEO or its equivalent.

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
FY24	**Option A**	**18 : 1**	**13 : 1**	**9 : 1**
FY23[1]	Option A	19 : 1	15 : 1	11 : 1
FY22	Option A	7 : 1	6 : 1	4 : 1
FY21	Option A	15 : 1	13 : 1	8 : 1
FY20	Option A	12 : 1	10 : 1	7 : 1

1. Restated to exclude payment for loss of office for N Sanders and to include tax paid on behalf of the relevant Director on expenses chargeable to income tax in the UK.

Full-year pay data for the FY24 financial year has been used to calculate the ratios.

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

	25th percentile	Median	75th percentile
Total pay and benefits	£21,136	£30,230	£42,886
Base salary	£17,760	£25,479	£37,005

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.

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.

Directors' remuneration report continued

Annual Report on Remuneration continued

Directors' interests (audited)

The interests of the Directors and their connected persons in the ordinary shares of the Company as at 31 March 2024 and the date of this report were as follows:

	26 July 2024		31 March 2024		31 March 2023	
	Ordinary shares	Options	Ordinary shares	Options	Ordinary shares	Options
J Oatley	400,000	N/A	400,000	N/A	400,000	N/A
R Amey	5,000	N/A	0	N/A	0	N/A
N Kozmina	0	N/A	N/A	N/A	N/A	N/A
F Doorenbosch	403,958	0	403,958	0	403,958	0
E Hutchinson	192,118	0	192,118	0	192,118	0

Directors' shareholding requirement (audited)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 March 2024:

	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)
F Doorenbosch	403,958	0	1,250,000	100	8.13	18.10
E Hutchinson	192,118	0	750,000	100	5.96	N/A

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

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

All of the above shares held by F Doorenbosch and E Hutchinson are owned outright as a result of market purchases.

Approval of the Directors' remuneration report

The Directors' remuneration report set out on pages 57 to 76 was approved by the Board of Directors on 26 July 2024 and signed on its behalf by Natalia Kozmina, Chair of the Remuneration Committee.

Natalia Kozmina

Chair of the Remuneration Committee

26 July 2024

Directors' report

Pages 77 and 78 inclusive (together with the sections of the annual report incorporated into these pages by reference) constitute the 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 1 to 43. This report 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 37 to 42, a description of the principal risks and uncertainties facing the Group.

The Directors who served during the year are set out below:

J Oatley

R Amey

J Templeman – appointed 1 February 2024, stepped down 27 February 2024

F Doorenbosch

E Hutchinson

D Bedford – stepped down 21 August 2023

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 and the strategic report on pages 1 to 43 together comprise the "management report".

Going concern

As described in the viability statement on page 43, the Directors have assessed the prospects and viability of the Company over a three-year period to March 2027. The Board has established a rigorous approach to cash forecasting and put controls in place to eliminate expenditure and reduce capital expenditure to manage cash generation more tightly. This has ensured that the Group is in a stronger position to achieve results that result in sufficient headroom on covenant tests to avoid a material uncertainty. In addition, the Board has negotiated an extension to the term of the current finance facility to 31 December 2025 to allow time to refinance the Group in an orderly manner. The Board has performed a robust assessment of the principal risks facing the Company, including those risks that would threaten the business model, future performance, solvency or liquidity.

Dividend

In accordance with the provisions of the amended and restated bank facilities agreement signed on 2 September 2022, the business is not currently permitted to pay dividends. The Board is therefore not recommending the payment of a dividend for FY24 (FY23: £nil).

Post balance sheet events

Notice was given to the landlord on 12 April 2024 that the Company would exercise the break option to exit the leased buildings at Tucson, Arizona, USA on 1 October 2025 following the decision to close the facility at Tucson. The reduction in the lease liability of £1.3m has been reflected in the balance sheet at 31 March 2024 as the Company is certain to exit on closure.

On 5 July 2024, the Group's lending bank extended the committed facilities to 31 December 2025. In the meantime, the Company has commenced negotiations with new lenders to refinance the existing term loans and revolving credit facilities in order to provide the strategic funding for the next phase of the business development.

Share capital

At 31 March 2024, the Company's issued share capital comprised 73,419,193 ordinary shares of 5 pence each.

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 2023 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 2023 AGM). This authority is due to lapse at the 2024 AGM.

At the 2023 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 2023 AGM) and to purchase up to 10% of the Company's issued ordinary shares in the market. This authority is also due to lapse at the 2024 AGM.

All of the above share capital authority resolutions will be proposed for renewal of authority at the 2024 AGM.

Change of control

The financing agreement with HSBC includes a change of control clause that, on its occurrence, would result in the cancellation of the facilities and all amounts due would be immediately due and repayable. There are no other 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 AGM following their appointment and such Director is eligible to offer themself for election by the Company's shareholders.

Additionally, the Company's articles of association provide that every Director shall retire from office at each AGM. A Director who retires at an AGM may be re-elected by the shareholders.

Directors' report continued

Appointment and replacement of Directors continued

In line with the Company's articles of association and the UK Corporate Governance Code, all Directors in office at the date of the 2023 AGM retired and presented themselves for re-election at the 2023 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.

Substantial shareholdings

Pursuant to the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the Company received notification of the following shareholdings in its issued share capital as at 31 March 2024 and 26 July 2024:

	As at 26 July 2024[4]	As at 31 March 2024[4]
Schroder Investment Management Limited[1]	**18.01%**	13.40%
Henderson Global Investors Limited[2]	**9.88%**	9.88%
First Equity Limited[3]	**3.92%**	10.22%

1. Whose ultimate controlling person is Schroders plc.
2. Whose ultimate controlling person is Henderson Group plc.
3. As Investment Manager of Armstrong Investments Limited, whose ultimate controlling person is William Black.
4. The percentage referenced in this table is the percentage as at the date of notification.

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 they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The following information is incorporated into this Directors' report by reference and is deemed to form part of this report:

Disclosure	Section of report	Page(s)
Corporate governance statement	Statement of corporate governance	45
The Group's business activities, together with the factors likely to affect its future development	Strategic report	1 to 43
The financial position of the Group, its cash flows, liquidity position and borrowing facilities	Strategic report – Finance review Note 20	33 to 36 120 to 123
The (loss)/profit from continuing operations of the Group before taxation	Consolidated income statement	88
The statutory result of the Group	Consolidated income statement	88
Details of the changes in issued share capital during the year	Note 25	134 to 136
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	Note 27	137 to 142
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	Strategic report – Responsible operations – People	23
Information on greenhouse gas emissions and energy consumption	Strategic report – Responsible operations – Environment	26 and 27
Information on engagement with employees, suppliers and customers	Strategic report – section 172 statement	17 to 19
Directors during the year and at the date of this Directors' report	Directors' report	77
Information relating to Directors' remuneration and interests in the ordinary share capital of the Company	Directors' remuneration report	69 to 76

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

Eric Hutchinson
Company Secretary
26 July 2024

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, the Directors have prepared the Group financial statements in accordance with UK-adopted International Accounting Standards 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 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 UK;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and statement of corporate governance that complies with that law and those regulations.

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

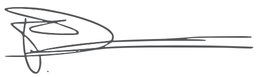
Responsibility statement of the Directors in respect of the annual financial report

The Directors as at the date of this report, whose names and functions are set out on pages 47 and 48, 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, 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



Frank Doorenbosch
Chief Executive Officer
26 July 2024

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 2024 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 material accounting policy information.

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 2024 and of the Group's loss 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 of 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act of 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 is dependent on debt facilities from its bank, which have a number of financial covenants and at the planning stage of the audit these facilities were due to expire in June 2025.

The Group disclosed a material uncertainty over going concern in its interim accounts for the six months to 30 September 2023 due to a lack of forecast headroom on its interest cover covenant. 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.

Based on a due diligence process undertaken by a reputable third-party consultancy firm, in July 2024 the Group's lending bank extended the committed facilities to 31 December 2025. Since the year end, the Company has commenced negotiations with new lenders to refinance the existing facilities.

The Group is also undertaking restructuring activities to reduce expense and to drive operational efficiency with the full benefit expected to be realised in the coming years.

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 100.

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;
- Assessing and challenging key assumptions and mitigating actions put in place in response to 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;
- Carrying out independent evaluation of the forecast and stress tests in relation to the forecasts prepared by the management;
- Reviewing and ascertaining the status and the outcome of negotiations with the bank in respect of extension of the loan facilities with the bank including review of the associated agreements and documentation;
- Reviewing the financial covenants (including agreed amendments) associated with the debt facilities and checking the calculation of the covenants and projected compliance through to December 2025, being the expiry date of the existing facilities; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Independent auditor's report continued

to the members of Carclo plc

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 opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures. The matters set out below are in addition to going concern which is 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.

Key Audit Matter

Revenue recognition (Group)

The Group's accounting policy in respect of revenue recognition is set out in note 1(j) 'Revenue recognition' on page 96. Revenue recognition on tooling contracts has been identified as a key judgement in note 2 on page 101. Revenue recognised on tooling contracts in the year is £21.6m as set out in note 5 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.

How our scope addressed this matter

Our response

Our audit procedures included, but were not limited to:

- performing testing of the design and implementation of controls around revenue recognition;
- in relation to tooling revenue:
  - reviewing management's IFRS 15 assessment for tooling contracts detailing the identification of performance obligations and assessment of point in time versus over time revenue recognition along with considerations of input versus output method and agent versus principal;
  - for a sample of tooling contracts reviewing the basis of revenue recognition and testing the revenue recognised in the year;
  - reviewing contract modifications or cancelations and the associated accounting treatment for changes in contract revenue;
- in relation to non-tooling revenue, which is recognised at a point in time;
  - 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

The methodology used in determining the recognition of the Group's revenue was appropriate and whilst certain misstatements were noted, these were below our materiality threshold and management has decided to leave these as unadjusted.

Independent auditor's report continued

to the members of Carclo plc

Key audit matters continued

Key Audit Matter

Valuation and impairment of intangible assets (Group)

Included on the Consolidated Statement of Financial Position on page 90 is £22.2m 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 94 and note 1(v) 'Impairment' on page 99. Impairment of goodwill has also been identified as a key judgement in note 2 on page 100.

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 13 on page 116, 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.

How our scope addressed this matter

Our response

Our audit procedures included, but were not limited to:

- performing testing of the design and implementation of controls around the valuation and impairment of intangible assets;
- obtaining and reviewing management's impairment review (which includes a formal paper and relevant underlying workings) and conduct interviews with them to understand the basis and process for assessing impairment;
- 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;
- challenging management on the achievability of the cash flow forecasts and assess the appropriateness of the projected financial information against original forecasts and other market data to assess the robustness of management's forecasting process;
- analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience; and
- assessing whether the disclosures in the financial statements are reasonable, including around the key assumptions, key sources of estimation uncertainty and sensitivity of the key assumptions in the impairment assessment.

Our observations

Whilst management's impairment model remains highly sensitive, and shows a small headroom, the methodology used for the valuation and for the impairment review of intangible assets and goodwill was appropriate.

Independent auditor's report continued

to the members of Carclo plc

Key audit matters continued

Key Audit Matter	How our scope addressed this matter
Valuation and impairment of investment in subsidiaries (Parent Company) The carrying value of investments in subsidiary undertakings on the Company Balance Sheet on page 149 is £77.5m (2023: £83.5m). During the year an impairment of £6.0m has been recognised in respect of the investment that Company holds in the CTP entity in India. As set out in the accounting policy in note 33(c) on page 154, 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 37 on page 157, 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: • performing testing of the design and implementation of controls around the valuation and impairment of investment in subsidiaries; • challenging management on their identification of indicators of impairment in light of our understanding of the business and our review of the performance of the subsidiaries; • obtaining and reviewing management's impairment reviews; • reviewing the valuation methodologies applied by management and providing an assessment of their appropriateness for the respective investment and carrying amount of the assets recognised. This included engaging an internal expert to evaluate the discount rates applied by management; • reviewing and checking the net book value of the individual investments used in the impairment review; • challenging the commercial plans that are driving the margins and estimated future turnover in light of historical performance, industry growth and management's performance to date; • 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); • concluding on whether management's assessment of an impairment or headroom is appropriate; and • assessing whether the relevant disclosures in the financial statements are reasonable. **Our observations** The methodology used for the valuation and for the impairment review of investments in subsidiaries was appropriate and accordingly an impairment of £6.0m has been booked during the year (refer also to note 37).

Independent auditor's report continued
to the members of Carclo plc

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	£1,285k
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 in current year and 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 fifth year of our audit engagement, we set performance materiality at £835k which is 65% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £39k 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 £175k and £1,000k, being all below Group overall materiality.

Parent Company materiality

Overall materiality	£506k
How we determined it	We determined overall materiality to be 0.5% of total assets.
Rationale for benchmark applied	The company does not trade and acts as a holding company. Therefore, the company has a significant investment in subsidiaries which is the main balance on its statement of financial position and deemed to be the key interest to users of the Company financial statements.
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 fifth year of our audit engagement, we set performance materiality at £330k which is 65% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £15k 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 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 our risk assessment, our understanding of the Group and the Parent Company, their environment, controls, and critical business processes, to consider qualitative factors 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 substantive analytical procedures at an aggregated Group level to assess whether there were any significant risks of material misstatement within these entities.

Independent auditor's report continued
to the members of Carclo plc

Parent Company materiality continued

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 loss before tax	Total Group assets
Full scope	7	92%	167%	92%
Risk based audit procedures	2	8%	-67%	8%
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. Additionally, key areas of audit work completed by component auditors was reviewed by the Group audit team. All work carried out by the US team was reviewed in detail by 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 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.

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:

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

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

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

Independent auditor's report continued
to the members of Carclo plc

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 79;
- 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 page 43;
- Directors' statement on fair, balanced and understandable, set out on page 79;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on pages 37 to 42;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 50; and;
- The section describing the work of the audit committee, set out on pages 51 to 53.

Responsibilities of Directors
As explained more fully in the directors' responsibilities statement set out on page 79, 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 have 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, and GDPR.

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. These inquiries also extended to component auditors and inhouse and external legal counsels where appropriate;
- 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 the regulatory requirements 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, in particular in relation to the valuation and impairment of intangible assets and goodwill and the valuation and impairment of investment in subsidiaries, revenue recognition (which we pinpointed to the cut-off 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;
- Addressing the risks of fraud through management override of controls by performing journal entry testing, including consolidation journals;
- Reviewing accounting estimates and financial statement disclosures for management bias; and
- Reviewing transactions outside of normal course of business.

Independent auditor's report continued
to the members of Carclo plc

Auditor's responsibilities for the audit of the financial statements continued
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 are discussed in the "Key audit matters" section of 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 ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 March 2020 to 31 March 2024.

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 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 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual report has been prepared using the single electronic format specified in the ESEF RTS.

Gavin Barclay (Senior Statutory Auditor)

For and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor

30 Old Bailey
London
EC4M 7AU

26 July 2024

Consolidated income statement
for the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Continuing operations:			
Revenue	5	**132,672**	143,445
Underlying operating profit[1]		**6,647**	5,939
Exceptional items	8	**(4,857)**	(4,710)
Operating profit	3, 6	**1,790**	1,229
Finance revenue	9	**424**	218
Finance expense	9	**(6,011)**	(3,967)
Loss before tax		**(3,797)**	(2,520)
Income tax credit/(expense)	10	**498**	(1,437)
Loss for the period		**(3,299)**	(3,957)
Attributable to:			
Equity holders of the Company		**(3,299)**	(3,957)
Non-controlling interests		**–**	–
		(3,299)	(3,957)
Loss per ordinary share	11		
Basic		**(4.5)p**	(5.4)p
Diluted		**(4.5)p**	(5.4)p

1. See the glossary on page 167.

Consolidated statement of comprehensive income
for the year ended 31 March 2024

	2024 £000	2023 £000
Loss for the period	**(3,299)**	(3,957)
Other comprehensive (expense)/income		
Items that will not be reclassified to the income statement		
Remeasurement losses on defined benefit scheme	**(2,668)**	(10,577)
Deferred tax arising	**–**	–
Total items that will not be reclassified to the income statement	**(2,668)**	(10,577)
Items that are or may in the future be reclassified to the income statement		
Foreign exchange translation differences	**(2,387)**	1,129
Net investment hedge	**332**	818
Deferred tax arising	**33**	(190)
Total items that are or may in the future be reclassified to the income statement	**(2,022)**	1,757
Other comprehensive expense, net of tax	**(4,690)**	(8,820)
Total comprehensive expense for the year	**(7,989)**	(12,777)
Attributable to:		
Equity holders of the Company	**(7,989)**	(12,777)
Non-controlling interests	**–**	–
Total comprehensive expense for the period	**(7,989)**	(12,777)

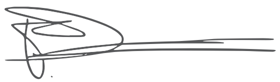
Consolidated statement of financial position

as at 31 March 2024

	Notes	2024 £000	2023 £000
Non-current assets			
Intangible assets	13	**22,197**	23,463
Property, plant and equipment	14	**40,071**	45,321
Deferred tax assets	21	**864**	1,185
Total non-current assets		**63,132**	69,969
Current assets			
Inventories	15	**11,289**	15,203
Contract assets	16	**1,663**	5,763
Trade and other receivables	17	**18,800**	21,383
Cash and cash deposits	18	**5,974**	10,354
Current tax assets		**82**	–
Total current assets		**37,808**	52,703
Total assets		**100,940**	122,672
Current liabilities			
Loans and borrowings	20	**6,753**	5,046
Trade payables	24	**10,005**	13,085
Other payables		**7,485**	8,323
Current tax liabilities		**564**	372
Contract liabilities	5	**2,998**	4,689
Provisions	23	**721**	473
Total current liabilities		**28,526**	31,988

	Notes	2024 £000	2023 £000
Non-current liabilities			
Loans and borrowings	20	**28,678**	39,668
Deferred tax liabilities	21	**2,890**	4,917
Retirement benefit obligations	22	**37,186**	34,493
Total non-current liabilities		**68,754**	79,078
Total liabilities		**97,280**	111,066
Net assets		**3,660**	11,606
Equity			
Ordinary share capital issued	25	**3,671**	3,671
Share premium		**7,359**	7,359
Translation reserve	26	**7,221**	9,243
Retained earnings	26	**(14,565)**	(8,641)
Total equity attributable to equity holders of the Company		**3,686**	11,632
Non-controlling interests		**(26)**	(26)
Total equity		**3,660**	11,606

Approved by the Board of Directors on 26 July 2024 and signed on its behalf by:



Frank Doorenbosch
Director

Eric Hutchinson
Director

Registered Number 00196249

Consolidated statement of changes in equity

for the year ended 31 March 2024

	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 2022	3,671	7,359	7,486	5,926	24,442	(26)	24,416
Loss for the year	–	–	–	(3,957)	(3,957)	–	(3,957)
Other comprehensive income/(expense):							
Foreign exchange translation differences	–	–	1,129	–	1,129	–	1,129
Net investment hedge	–	–	818	–	818	–	818
Remeasurement losses on defined benefit scheme	–	–	–	(10,577)	(10,577)	–	(10,577)
Taxation on items above	–	–	(190)	–	(190)	–	(190)
Total comprehensive income/(expense) for the period	–	–	1,757	(14,534)	(12,777)	–	(12,777)
Transactions with owners recorded directly in equity:							
Share-based payments	–	–	–	(33)	(33)	–	(33)
Taxation on items recorded directly in equity	–	–	–	–	–	–	–
Balance at 31 March 2023	3,671	7,359	9,243	(8,641)	11,632	(26)	11,606
Balance at 1 April 2023	**3,671**	**7,359**	**9,243**	**(8,641)**	**11,632**	**(26)**	**11,606**
Loss for the year	**–**	**–**	**–**	**(3,299)**	**(3,299)**	**–**	**(3,299)**
Other comprehensive (expense)/income:							
Foreign exchange translation differences	**–**	**–**	**(2,387)**	**–**	**(2,387)**	**–**	**(2,387)**
Net investment hedge	**–**	**–**	**332**	**–**	**332**	**–**	**332**
Remeasurement losses on defined benefit scheme	**–**	**–**	**–**	**(2,668)**	**(2,668)**	**–**	**(2,668)**
Taxation on items above	**–**	**–**	**33**	**–**	**33**	**–**	**33**
Total comprehensive expense for the period	**–**	**–**	**(2,022)**	**(5,967)**	**(7,989)**	**–**	**(7,989)**
Transactions with owners recorded directly in equity:							
Share-based payments	**–**	**–**	**–**	**43**	**43**	**–**	**43**
Taxation on items recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2024	**3,671**	**7,359**	**7,221**	**(14,565)**	**3,686**	**(26)**	**3,660**

Consolidated statement of cash flows
for the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Cash generated from operations	28	**15,615**	7,778
Interest paid		**(4,193)**	(2,955)
Tax paid		**(1,056)**	(1,051)
Net cash from operating activities		**10,366**	3,772
Cash flows from/(used in) investing activities			
Proceeds from sale of intangible assets		**212**	–
Proceeds from sale of property, plant and equipment		**–**	1,390
Interest received		**424**	218
Purchase of property, plant and equipment		**(2,937)**	(2,313)
Purchase of intangible assets		**(95)**	(104)
Net cash used in investing activities		**(2,396)**	(809)
Cash flows from/(used in) financing activities			
Drawings on new and existing facilities		**–**	359
Refinancing costs		**(100)**	(250)
Proceeds from sale and leaseback of property, plant and equipment		**–**	1,222
Repayment of borrowings excluding lease liabilities		**(8,190)**	(1,800)
Repayment of other loan facilities		**(192)**	(102)
Repayment of lease liabilities		**(3,659)**	(4,104)
Net cash used in financing activities		**(12,141)**	(4,675)
Net decrease in cash and cash equivalents		**(4,171)**	(1,712)
Cash and cash equivalents at beginning of period		**10,354**	12,347
Effect of exchange rate fluctuations on cash held		**(209)**	(281)
Cash and cash equivalents at end of period		**5,974**	10,354
Cash and cash equivalents comprise:			
Cash and cash deposits		**5,974**	10,354
		5,974	10,354

Notes to the consolidated financial statements

for the year ended 31 March 2024

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 149 to 162. 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 a 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.

On 5 July 2024 the Group's lending bank extended the committed facilities to 31 December 2025. Since the year end, the Company has commenced a process to refinance the existing term loans and revolving credit facilities in order to provide the strategic funding for the next phase of the business development. Other than mentioned, since the year end there have been no significant changes to the Group's liquidity position.

As part of the original bank financing in August 2020, the Group became subject to four bank facility covenant tests. The quarterly covenants, and levels, to be tested are:

- underlying interest cover (minimum 1.45 in March 2024, increasing to 2.60 by December 2025);
- net debt to underlying EBITDA (2.75 maximum);
- core subsidiary underlying EBITA (50% minimum); and
- core subsidiary revenue (75% minimum).

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.

A schedule of contributions is also in place with the pension trustees with an agreed £3.5m to be paid annually until 31 October 2039. Additional contributions also agreed are 26% of any FY25 surplus over underlying EBITDA of £18.0m.

The Group is subject to a number of key risks and uncertainties, as detailed in the Principal risks and uncertainties section on pages 37 to 42. Mitigation actions are also considered in this section. These risks and uncertainties have been considered in the base case and severe downside sensitivities and have been modelled accordingly.

The Directors have reviewed cash flow and covenant forecasts to cover the period of at least twelve months from the date of signing these consolidated financial statements considering the Group's available debt facilities and the terms of the arrangements with the Group's bank and the Group pension scheme.

The base case forecast includes assumptions around revenue, margins, working capital and interest rates. The sensitivity analysis has considered the risks facing the Group and has modelled the impact of each in turn, as well as considering the impact of aggregating certain risk types, and shows that the Group is able to operate within its available facilities and meet its agreed covenants as they arise.

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

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of: loss of business from discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group revenue of 3% matched by a corresponding fall in cost of sales of the same amount, and interest rate risk. Under these scenarios the Group would continue to meet minimum covenant requirements, although with minimal headroom under these scenarios in the next twelve months. The downside testing did not allow for the benefit of any action that could be taken by management to mitigate the impact of the scenarios. Using the base case forecast the minimal underlying operating profit headroom, observed on the underlying interest cover covenant, would be £0.8m. This suggests that a £16m drop in revenue or a 12% drop in underlying operating profit would result in a breach of covenants.

The Group is not exposed to vulnerable sectors or vulnerable countries but is dependent on certain key customers, which create risks and uncertainties. These risks and uncertainties are documented, and the mitigating actions being taken are covered in detail in the Principal risks and uncertainties section, on pages 37 to 42.

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 and will be able to adhere to the covenant tests to which it is subject throughout at least the twelve-month period from the date of signing the financial statements.

Accordingly, these financial statements are prepared on a going concern basis.

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 2023. 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 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);
- IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023);
- IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (effective date 1 January 2023);
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective date 1 January 2023); and
- Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules (effective date 1 January 2023).

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 accounting period beginning on or after 1 April 2024.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

1 Basis of preparation continued

New standards, amendments and interpretations continued

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

- IAS 1 Presentation of Financial Statements (Amendment): Classification of liabilities as current or non-current (effective 1 January 2024);
- IFRS 16 Leases (Amendment): Lease liability in a sale and leaseback;
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments (Disclosures) (Amendments): Supplier Finance Arrangements (effective 1 January 2024); and
- Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants (effective date 1 January 2024).

The above are not expected to have a material impact on the Group's results or net assets.

There are no other IFRS or IFRIC interpretations which are endorsed by the UK Endorsement Board, 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. 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; plusif the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

1 Basis of preparation continued

Accounting policies continued

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.

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, plant 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 one year or less. 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

1 Basis of preparation continued

Accounting policies continued

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 inventory 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 5.

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 CTP segment would generally be for design and engineering 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. 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

1 Basis of preparation continued

Accounting policies continued

p) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using an approximation[1] of 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 in the countries where the Group operates and any adjustments 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.

s) Retirement benefit costs

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

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

1. Interest payable is a combination of principal interest and amortised arrangement fees, the resulting charge of which is annually tested against the effective interest rate method to demonstrate they are materially in line.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

1 Basis of preparation continued

Accounting policies continued

t) Financial instruments continued

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

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

u) Share-based payments

The Group issues 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

1 Basis of preparation continued

Accounting policies continued

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. The carrying value of goodwill at 31 March 2024 is allocated wholly to the CTP cash generating unit.

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 (defined on page 167) 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 £0.7m have been recognised at 31 March 2024 (2023: £0.5m); further details can be found in note 23.

z) Current versus non-current disclosure

Current assets are generally assets due to be received within twelve months of the reporting date. 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 assets/liabilities are classified as non-current unless they are held primarily for the purpose of trading.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

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 & 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 at least twelve months from the date of signing these financial statements. Judgement has been applied over forecast profit, debt levels and interest rates, particularly base rates. This determines whether the Group should operate the going concern basis of preparation for these financial statements.

Impairment of assets

Notes 13 and 14 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. Goodwill at 31 March 2024 amounts to £22.0m (2023: £23.0m).

Management has exercised judgement when considering if there have been indicators of impairment. Where indicators exist, management has estimated recoverable amount as detailed next.

Key sources of estimation uncertainty

The Group tests whether goodwill has suffered any impairment and considers whether there is any indication of impairment either of this or other assets on an annual basis. As set out in more detail in notes 13 and 14, the recoverable amounts may be based on either value in use calculations or fair value less costs of disposal considerations. 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 13.

Pension assumptions

Note 22 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. The pension liability at 31 March 2024 amounts to £37.2m (2023: £34.5m).

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 22.

In the year to 31 March 2022 and the year to 31 March 2021, the Scheme introduced a right for members to Pension Increase Exchange ("PIE") and a Bridging Pension Option respectively. Having taken actuarial advice, management exercised judgement that, for each, 40% of members would take the options at retirement. There is no change to either assumption in the current year. Any change in estimate would be recognised as remeasurement gains/(losses) through the consolidated statement of comprehensive income.

Leases

There are imputed interest rates in lease liability calculations and certain leases contain break options.

Key judgements

Lease liabilities are measured initially at the present value of the lease payments discounted using the rate implicit in the lease, or where not readily determinable as is generally the case, using the incremental borrowing rate. This requires management to apply judgement.

Management has applied judgement when determining the expected certainty that a break option within a lease will be exercised. Note 4 details the amount by which lease liabilities would decrease if the Group were to exercise break options that at 31 March 2024 management are reasonably certain will not be exercised as well as the amount by which lease liabilities have been adjusted where management are, at 31 March 2024, reasonably certain that break options will be exercised.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

2 Accounting estimates and judgements continued

Revenue recognition

As revenue from Design and Engineering 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. See note 5, revenue from contracts with customers, for information on contract balances at 31 March 2024.

Key judgements

The revenue recognised on certain contracts in the CTP segment required management to use judgement to apportion contract revenue to the Design and Engineering performance obligations.

Key sources of estimation uncertainty

Revenue recognised on certain contracts in the CTP segment required management to estimate the remaining costs to complete the Design and Engineering performance obligation in order to determine the percentage of completion and revenue to recognise in respect of those performance obligations. Costs to complete are determined through consultation with the contract engineers and changes to this estimate will therefore impact the amount of revenue recognised.

Recognition of deferred tax assets

Note 21 contains information about the deferred tax assets recognised in the consolidated statement of financial position.

Key judgements

Management has exercised judgement over the level of future taxable profits in the UK against which to relieve the Group's deferred tax assets. On the basis of this judgement, with the exception of a £0.3m deferred tax asset which is available to offset against a deferred tax liability of £0.3m arising on historic property revaluations (2023: £0.3m), no UK deferred tax assets have been recognised at period end.

Classification of exceptional items

Note 8 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 1w.

Expected credit losses

The allowance for expected credit losses ("ECLs") in note 17 is calculated on a customer-by-customer basis, using a combination of internally and externally sourced information, including expected future default levels and future predicted cash collection levels.

Key sources of estimation uncertainty

Management has applied judgement when setting expectations, these are derived from past defaults/trends and future projections.

Provisions

On 14 February 2024, the Group announced the strategic consolidation and closure of its Tucson, Arizona, USA facility, due to be completed by September 2024.

Key judgements

Management has applied judgement when determining what provisions to recognise at 31 March 2024 for costs directly arising from the planned closure, where an obligation exists at that date. Management has also used judgement to assess whether there is any impairment of assets at the facility as a result of the intended closure (see impairment of assets above).

Key sources of estimation uncertainty

Provisions for employee redundancy and dilapidation costs of the leased properties at Tucson, totalling £0.7m, have been estimated at 31 March 2024, see note 23. Provisions recognised are management's best estimate of the cost that will be required to settle the Group's obligation at a future date. Advice has been sought from a third party who has provided an estimate of the cost to make good the properties prior to exit; however, until the final cost is agreed with the lessor, this remains an estimate. Following closure, any unused provision will be released back to exceptional items as a credit in FY25.

3 Segment reporting

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

The CTP segment supplies value-adding engineered solutions from mould design, automation and production to assembly and printing for the life science, optical and precision component industries. This business operates internationally in a fast-growing and dynamic market underpinned by rapid technological development.

The Aerospace segment delivers precise and durable components for the safety and performance of aircraft to manufacturing and aerospace industries.

The Central costs relate to the cost of running the Group, plc and non-trading companies.

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

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

3 Segment reporting continued

Analysis by business segment

The segment results for the year ended 31 March 2024 were as follows:

	CTP £000	Aerospace £000	Central £000	Group total £000
Consolidated income statement				
Continuing operations:				
External revenue	125,044	7,628	–	132,672
External expenses	(115,627)	(5,929)	(4,469)	(126,025)
Underlying operating profit/(loss)[1]	9,417	1,699	(4,469)	6,647
Exceptional operating items	(3,259)	(50)	(1,548)	(4,857)
Operating profit/(loss)	6,158	1,649	(6,017)	1,790
Net finance expense				(5,587)
Income tax credit				498
Loss for the period				(3,299)
Consolidated statement of financial position				
Segment assets	93,160	6,095	1,685	100,940
Segment liabilities	(31,728)	(1,739)	(63,813)	(97,280)
Net assets/(liabilities)	61,432	4,356	(62,128)	3,660
Other segmental information				
Capital expenditure on property, plant and equipment	6,736	585	166	7,487
Capital expenditure on computer software	–	–	95	95
Depreciation	7,454	223	92	7,769
Impairment of property, plant and equipment	1,892	–	–	1,892
Amortisation of computer software	31	–	70	101
Amortisation of other intangibles	62	–	–	62

1. See the glossary on page 167.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

3 Segment reporting continued

Analysis by business segment continued

The segment results for the year ended 31 March 2023 were as follows:

	CTP £000	Aerospace £000	Central £000	Group total £000
Consolidated income statement				
Continuing operations:				
External revenue	136,814	6,631	–	143,445
External expenses	(129,493)	(5,111)	(2,902)	(137,506)
Underlying operating profit/(loss)[1]	7,321	1,520	(2,902)	5,939
Exceptional operating items	(2,752)	–	(1,958)	(4,710)
Operating profit/(loss)	4,569	1,520	(4,860)	1,229
Net finance expense				(3,749)
Income tax expense				(1,437)
Loss for the period				(3,957)
Consolidated statement of financial position				
Segment assets	114,231	5,886	2,555	122,672
Segment liabilities	(40,000)	(1,198)	(69,868)	(111,066)
Net assets/(liabilities)	74,231	4,688	(67,313)	11,606
Other segmental information				
Capital expenditure on property, plant and equipment	5,474	287	49	5,810
Capital expenditure on computer software	36	–	–	36
Capital expenditure on other intangibles	68	–	–	68
Depreciation	7,516	223	76	7,815
Impairment of property, plant and equipment	783	–	–	783
Amortisation of computer software	43	–	101	144
Amortisation of other intangibles	67	–	–	67
Impairment of intangible fixed assets	208	–	–	208

1. See the glossary on page 167.

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

3 Segment reporting continued
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. The geographical analysis was as follows:

	External revenue		Net segment (liabilities)/assets		Expenditure on tangible and intangible fixed assets	
	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000
United Kingdom	10,084	14,157	(39,006)	(40,329)	1,980	1,923
North America	68,474	70,955	21,846	27,909	4,867	3,204
Rest of world	54,114	58,333	20,820	24,026	735	787
	132,672	143,445	3,660	11,606	7,582	5,914

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 assets and liabilities are retirement benefit obligation net liabilities of £37.2m (2023: net liabilities of £34.5m), and net borrowings of £24.3m (2023: £31.3m).

One CTP customer accounted for 41.1% (2023: 28.4%) and another customer for 13.3% (2023: 10.5%) 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 £nil (2023: £0.3m), North America £0.8m (2023: £0.8m), rest of world £0.1m (2023: £0.1m).

Total non-current assets by geographical location are as follows: United Kingdom £20.6m (2023: £22.6m), North America £26.3m (2023: £28.8m), rest of world £16.2m (2023: £18.6m).

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

4 Leases

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

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

Right-of-use assets related to leased properties and plant and equipment are presented as property, plant and equipment (see note 14).

	Land and buildings £000	Plant and equipment £000	Total £000
Balance at 1 April 2022	6,687	5,026	11,713
Depreciation charge for the year	(1,712)	(1,105)	(2,817)
Additions to right-of-use assets	668	2,801	3,469
Assets transferred to right-of-use assets from owned property, plant and equipment	372	–	372
Derecognition of right-of-use assets	–	(233)	(233)
Impairment to right-of-use assets	–	(485)	(485)
Effect of movements in foreign exchange	192	240	432
Balance at 31 March 2023	6,207	6,244	12,451
Depreciation charge for the year	**(2,368)**	**(1,084)**	**(3,452)**
Additions to right-of-use assets	**2,272**	**2,289**	**4,561**
Assets transferred to right-of-use assets from owned property, plant and equipment	**578**	**154**	**732**
Derecognition of right-of-use assets	**(70)**	**(25)**	**(95)**
Reassessment of lease term	**(1,310)**	**–**	**(1,310)**
Impairment to right-of-use assets	**(116)**	**(1,466)**	**(1,582)**
Reclassification of assets	**(153)**	**153**	**–**
Effect of movements in foreign exchange	**(122)**	**(63)**	**(185)**
Balance at 31 March 2024	**4,918**	**6,202**	**11,120**

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

4 Leases continued

Amounts recognised in the statement of financial position continued

i) Right-of-use assets continued

On 14 February 2024, the Group announced the intended closure of its Tucson, Arizona, USA facility. As a result of this decision, it was deemed by management that at 31 March 2024 there was reasonable certainty that the exit options within two of the property leases at that location would be exercised. As such, the lease liability was remeasured with a corresponding adjustment recognised against the right-of-use assets of £1.3m. Further, an impairment of £0.1m was recognised as an exceptional charge, classified as rationalisation costs in note 8, to impair the properties to value in use based upon expected closure date.

The impairment to plant and equipment of £1.5m includes £0.9m in respect to assets obtained for production on a leading global OEM customer who in December 2022 gave notice that they would not be proceeding into the production phase of their project. Whilst an impairment of £0.5m was recognised in the prior year, it was decided by management at 30 September 2023 that as the assets remained on balance sheet with no intended use, they should be impaired to recoverable amount being fair value, less costs to dispose. A further impairment was recognised of £0.9m and there has been no change to this assessment of recoverable amount which, at 31 March 2024, totalled £0.5m. Following the announcement of the intended closure of the Tucson, Arizona, USA facility, the Directors undertook an exercise to determine the recoverable amount of assets located at this site. As the assets are leased, the recoverable amount is determined to be value in use. As a result of this review, an impairment of £0.6m was recognised within exceptional items.

ii) Lease liabilities

Lease liabilities have been presented as loans and borrowings (see note 20).

Amounts recognised in the income statement

	2024 £000	2023 £000
Interest on lease liabilities	1,042	674
Expenses relating to short-term leases	19	17
Depreciation and impairment expense on leases	5,034	3,302

Amounts recognised in the consolidated statement of cash flows

	2024 £000	2023 £000
Total cash outflow for leases	3,659	4,795

Break options

The decision and subsequent announcement of the closure of the Tucson, Arizona, USA facility means that at 31 March 2024, management of the CTP division are reasonably certain to exercise the options to terminate two of the Tucson property leases early. As such, the lease liability is reduced by £1.4m at 31 March 2024 with a reduction in the carrying value of the right-of-use asset of £1.3m, the balance being credited to the income statement, disclosed as an exceptional item.

The Group has estimated that the potential future lease payments, should it exercise break options at other sites, would result in a decrease in lease liabilities of £0.8m (2023: £2.3m).

5 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) CTP segment:

The CTP segment supplies value-adding engineered solutions from mould design, automation and production to assembly and printing, for the life science, optical and precision component industries. CTP revenues comprise two typical project types: Manufacturing Solutions and Design & Engineering.

Manufacturing Solutions

The majority of the CTP 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.

Design & Engineering

The CTP business also designs, builds and validates injection moulding tools for customers. Depending on the contract, each of these three elements of the design and engineering 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 design and engineering process.

The majority of design and engineering 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 CTP contracts include both Design & Engineering and Manufacturing Solutions performance obligations. In most cases transaction price is as per the contracted agreement. There is no significant variable consideration.

ii) Aerospace segment:

The Aerospace segment delivers precise and durable components for the safety and performance of aircraft to manufacturing and 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.

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

5 Revenue from contracts with customers continued
b) Disaggregation of revenue

Continuing operations	**CTP 2024 £000**	CTP 2023 £000	**Aerospace 2024 £000**	Aerospace 2023 £000	**Group total 2024 £000**	Group total 2023 £000
Major products/service lines						
Manufacturing Solutions	**103,473**	116,737	**7,629**	6,631	**111,102**	123,368
Design & Engineering	**21,570**	20,077	**–**	–	**21,570**	20,077
	125,043	136,814	**7,629**	6,631	**132,672**	143,445
Timing of revenue recognition						
Products transferred at a point in time	**103,642**	117,038	**7,629**	6,631	**111,271**	123,669
Products and services transferred over time	**21,401**	19,776	**–**	–	**21,401**	19,776
	125,043	136,814	**7,629**	6,631	**132,672**	143,445

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

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

5 Revenue from contracts with customers continued

c) Contract balances

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

	2024 £000	2023 £000
Trade receivables (see note 17)	**14,493**	16,775
Contract assets (see note 16)	**1,663**	5,763
Contract liabilities	**(2,998)**	(4,689)
	13,158	17,849

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on its Design & Engineering contracts in the CTP segment.

The contract liabilities relate to the advance consideration received from customers before the related revenue has been recognised; this applies to Design & Engineering contracts in the CTP segment.

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:

	2024 £000	2023 £000
Revenue recognised	**4,604**	6,563

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

	2025 £000	2026 £000	2027 £000
Design & Engineering – CTP	6,504	1,805	85

e) Significant payment terms

Design & Engineering contracts are invariably billed in several clearly identifiable stages, with standard payment terms being either 30 or 60 days. Typically, these are linked to key milestones being design, build and validate.

Billing of manufacturing product is typically on completion of particular production batches. Credit terms are usually negotiated between 30 and 60 days. Only pre-specified conditions would confer any right to the customer to return the product for a refund.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

6 Operating profit

Operating profit from continuing operations is arrived at as follows:

	2024 £000	2023 £000
Revenue	**132,672**	143,445
Decrease in stocks of finished goods and work in progress	**274**	618
Raw materials and consumables	**60,297**	68,230
Personnel expenses (see note 7)	**38,642**	40,709
Impairment loss on trade and other receivables, including contract assets (see note 17)	**(43)**	40
Amortisation of intangible assets	**163**	211
Depreciation of property, plant and equipment	**7,769**	7,815
Rent	**1,037**	216
Rates	**771**	234
Power	**2,702**	3,434
Carriage	**1,853**	2,755
Repairs and maintenance	**2,779**	3,094
Insurance	**691**	751
Computer costs	**2,605**	2,946
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**280**	204
Fees payable to the Company's auditor for overruns in respect to the prior year	**150**	50
Fees payable to the Company's auditor and its associates for other services		
The audit of the Company's subsidiaries, pursuant to legislation	**160**	121
Audit-related assurance services	**42**	39
Total auditor's remuneration	**632**	414
Exceptional items: (see note 8)		
Rationalisation costs	**3,360**	2,648
Past service cost in respect to retirement benefits	**1,020**	–
Refinancing costs	**433**	756
Net costs arising from cancellation of future supply agreement	**188**	877
Doubtful debt and related inventory provision	**140**	896
Settlement/costs in respect to legacy claims	**(284)**	302
Credit arising on the disposal of surplus properties	**–**	(769)
Total exceptional items	**4,857**	4,710
Foreign exchange losses/(gains)	**63**	(919)
Pension scheme administration costs	**832**	1,242
Other operating charges	**4,958**	5,716
	130,882	142,216
Operating profit	**1,790**	1,229

Exceptional items include £0.1m (2023: £0.2m) of pension scheme administration costs and £0.2m inventory provisions.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

7 Personnel expenses

	2024 £000	2023 £000
Wages and salaries	33,114	35,272
Social security contributions	3,854	4,097
Charge in respect of defined contribution pension plans	1,201	934
Charge in respect of other pension plans	424	462
Share-based payments (see note 25)	49	(56)
	38,642	40,709
Exceptional credit regarding past service costs (see notes 8 and 22)	1,020	–
	39,662	40,709

Redundancy costs arising from Group restructuring of £0.5m (2023: £0.9m) and £nil of other personnel costs (2023: £0.2m) are excluded from the above analysis and are included within rationalisation costs, part of exceptional items as set out in note 8.

Directors' remuneration and emoluments, which are included in this analysis, are described in the Directors' remuneration report on pages 57 to 76.

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 Group recognised a net charge of £0.05m in the consolidated income statement in the year to 31 March 2024 (2023: £0.06m credit) for share-based payments. As well as adjusting for awards forfeited by leavers, the cumulative charge recognised over the vesting period requires adjustment to reflect the recalculated fair value of cash-settled share-based payments, and assessment of likely vesting for awards subject to non-market-based vesting conditions at each reporting date.

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

	2024 Number of employees	2023 Number of employees
By segment		
Central	19	20
CTP	976	1,036
Aerospace	64	60
	1,059	1,116
By geographic location		
United Kingdom	295	341
North America	403	368
Rest of world	361	407
	1,059	1,116

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

8 Exceptional items

	2024 £000	2023 £000
Continuing operations		
Rationalisation costs	**(3,360)**	(2,648)
Past service cost in respect to retirement benefits	**(1,020)**	–
Refinancing costs	**(433)**	(756)
Net costs arising from cancellation of future supply agreement	**(188)**	(877)
Settlement/(costs) in respect to legacy claims	**284**	(302)
Doubtful debt and related inventory provision	**(140)**	(896)
Credit arising on the disposal of surplus properties	**–**	769
	(4,857)	(4,710)

Rationalisation costs from continuing operations during the period relate to the restructuring and rationalisation of the Group. Costs are mostly relating to the announced Tucson, Arizona, USA facility closure and the now closed Derry, NH, USA manufacturing site as well as some other Central employee-related costs. These include a combination of employee redundancy costs, site closure provisions and asset impairment costs. Prior year costs were similar in nature, being a mixture of employee rationalisation and asset impairment costs arising from the decision that the Derry manufacturing site would be closed in the year to 31 March 2024.

During the year, the trustees of the Carclo Group Pension Scheme identified that a group of members required an adjustment to their benefits in respect of the requirement to provide equal benefits to males and females following the Barber judgment in 1990. In summary, the adjustment consisted of decreasing the normal retirement age from 65 to 60 for some members' benefits for some elements of service after 17 May 1990. This has resulted in additional liabilities in the Scheme which have been accounted for as a £1.0m past service cost in the income statement (approximately 0.8% of liabilities).

Refinancing costs of £0.4m are legal and professional costs incurred to ensure compliance with the Group's principal bank refinancing arrangement which resulted in the amendment deed signed 17 July 2023, as well as other Group refinancing-related activities in respect to the Group's commitment to seek alternative sources of bank financing.

£0.2m net costs arising from cancellation of future supply agreement relate to the OEM customer who gave notice in December 2022. This includes £0.9m asset impairment (see note 14), £0.2m loss on disposal of other related ancillary equipment, less £0.7m being a credit recognised in the current year for final settlement received.

During the year to 31 March 2024, the Group received notice from its third-party advisor that there would be no obligation on Carclo plc to make payment to settle two of the health-related claims that had been provided for in the prior year. As such, the provision held at that date, £0.3m, has been released back to exceptional items.

In the prior year, a customer of the CTP division provided notice that it would be ceasing to operate. Provision was made at the time for amounts not expected to be recovered through credit insurance. A further £0.1m provision for inventory has been charged in the current year, as it is not now expected to be recovered.

The credit arising on the disposal of surplus properties in the prior year is the profit arising on the sale and leaseback arrangement of the CTP manufacturing site at Tucson, Arizona, USA.

9 Finance revenue and expense

	2024 £000	2023 £000
Continuing operations		
Finance revenue comprises:		
Interest receivable on cash and cash deposits	**424**	218
Finance revenue	**424**	218
Finance expense comprises:		
Interest payable on bank loans and overdrafts	**(3,141)**	(2,569)
Lease interest	**(1,042)**	(674)
Other interest	**(2)**	(59)
Interest on the net defined benefit pension liability	**(1,826)**	(665)
Finance expense	**(6,011)**	(3,967)

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

10 Income tax credit/(expense)

The credit/(expense) recognised in the consolidated income statement comprises:

	2024 £000	2023 £000
United Kingdom corporation tax:		
Adjustments for prior years	**(22)**	(18)
Overseas taxation:		
Current tax	**(942)**	(1,462)
Adjustments for prior years	**(211)**	110
Total current tax net expense	**(1,175)**	(1,370)
Deferred tax credit/(expense)		
Deferred tax	**1,419**	(20)
Adjustments for prior years	**193**	17
Rate change	**61**	(64)
Total deferred tax credit/(expense) – see note 21	**1,673**	(67)
Total income tax credit/(expense) recognised in the consolidated income statement	**498**	(1,437)

Reconciliation of tax (credit)/expense for the year

The Group has reported an effective tax rate for the period of 13.1% which is below the standard rate of UK corporation tax of 25% (2023: 19%).

The differences are explained as follows:

	2024		2023	
	£000	%	£000	%
Income tax using standard rate of UK corporation tax of 25% (2023: 19%)	**(949)**	**25.0**	(479)	19.0
Expenses not deductible for tax purposes	**166**	**(4.4)**	128	(5.1)
Income not taxable	**(114)**	**3.0**	(125)	5.0
Adjustments in respect of overseas tax rates	**(157)**	**4.1**	155	(6.2)
Derecognition of deferred tax asset previously recognised	**–**	**–**	669	(26.5)
Unprovided deferred tax movement	**732**	**(19.3)**	982	(39.0)
Adjustment to current tax in respect of prior periods (UK and overseas)	**232**	**(6.1)**	(92)	3.7
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**(193)**	**5.1**	(17)	0.7
Foreign taxes expensed in the UK	**(54)**	**1.4**	210	(8.3)
Rate change on deferred tax	**(61)**	**1.6**	64	(2.5)
Foreign exchange currency loss	**(100)**	**2.6**	(58)	2.3
Total income tax (credit)/expense	**(498)**	**13.1**	1,437	(57.0)

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

10 Income tax credit/(expense) continued

Tax on items credited/(charged) outside of the consolidated income statement

	2024 £000	2023 £000
Recognised in other comprehensive income:		
Foreign exchange movements	**33**	(190)
Total income tax credited/(charged) to other comprehensive income	**33**	(190)

11 (Loss)/earnings per share

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

The calculation of diluted earnings per share is based on the loss 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:

	2024 £000	2023 £000
Loss after tax	**(3,299)**	(3,957)
Loss attributable to non-controlling interests	**–**	–
Loss after tax, attributable to equity holders of the parent	**(3,299)**	(3,957)

	2024 Shares	2023 Shares
Weighted average number of ordinary shares in the year	**73,419,193**	73,419,193
Effect of dilutive share options in issue[1]	**15,974**	15,974
Weighted average number of ordinary shares (diluted) in the year for loss per share calculation	**73,435,167**	73,435,167
Effect of dilutive share options in issue	**817,049**	–
Weighted average number of ordinary shares (diluted) in the year for underlying earnings per share calculation[2]	**74,252,216**	73,435,167

1. There are 15,974 vested shares outstanding that are yet to be issued. 817,049 of the share options granted on 21 September 2023 have been excluded from the calculation of weighted average number of dilutive earnings per share in the current year as they are antidilutive. These options could potentially dilute earnings per share in the future.
2. See the glossary on page 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

11 (Loss)/earnings per share continued

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

	2024 £000	2023 £000
Loss after tax, attributable to equity holders of the parent	**(3,299)**	(3,957)
Continuing operations:		
Exceptional – Rationalisation and restructuring costs, net of tax	**2,690**	2,314
Exceptional – Past service cost in respect to retirement benefits, net of tax	**1,020**	–
Exceptional – Refinancing costs, net of tax	**433**	756
Exceptional – Net costs arising from cancellation of future supply agreement, net of tax	**146**	752
Exceptional – Settlement/(costs) in respect to legacy claims, net of tax	**(284)**	302
Exceptional – Doubtful debt and related inventory provision, net of tax	**109**	673
Exceptional – Credit arising on the disposal of surplus properties, net of tax	**–**	(578)
Profit after tax but before exceptional items, attributable to equity holders of the parent	**815**	262
Underlying operating profit[1]	**6,647**	5,939
Finance revenue	**424**	218
Finance expense	**(6,011)**	(3,967)
Income tax expense	**(245)**	(1,928)
Underlying profit after tax attributable to equity holders of the parent	**815**	262

The following table summarises the (loss)/earnings per share figures based on the presented data:

	2024 Pence	2023 Pence
Basic loss per share	**(4.5)**	(5.4)
Diluted loss per share	**(4.5)**	(5.4)
Underlying earnings per share – basic[1]	**1.1**	0.4
Underlying earnings per share – diluted[1]	**1.1**	0.4

12 Dividends paid and proposed

The Directors are not proposing a final dividend for the year ended 31 March 2024 (2023: £nil). Under the terms of the amended and restated bank facilities agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending 31 December 2025.

1. See the glossary on page 167.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

13 Intangible assets

	Goodwill £000	Patents and development costs £000	Customer-related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 31 March 2022	23,094	16,734	553	1,899	42,280
Additions	–	68	–	36	104
Disposals	–	–	–	(14)	(14)
Effect of movements in foreign exchange	1,005	–	35	31	1,071
Balance at 31 March 2023	**24,099**	**16,802**	**588**	**1,952**	**43,441**
Additions	**–**	**–**	**–**	**95**	**95**
Disposals	**–**	**–**	**–**	**(356)**	**(356)**
Effect of movements in foreign exchange	**(968)**	**–**	**–**	**(10)**	**(978)**
Balance at 31 March 2024	**23,131**	**16,802**	**588**	**1,681**	**42,202**
Amortisation					
Balance at 31 March 2022	1,130	16,734	302	1,400	19,566
Amortisation for the year	–	6	61	144	211
Impairment	–	–	208	–	208
Effect of movements in foreign exchange	(41)	–	17	17	(7)
Balance at 31 March 2023	**1,089**	**16,740**	**588**	**1,561**	**19,978**
Amortisation for the year	**–**	**62**	**–**	**101**	**163**
Disposals	**–**	**–**	**–**	**(144)**	**(144)**
Effect of movements in foreign exchange	**15**	**–**	**–**	**(7)**	**8**
Balance at 31 March 2024	**1,104**	**16,802**	**588**	**1,511**	**20,005**
Carrying amounts					
At 1 April 2022	21,964	–	251	499	22,714
At 31 March 2023	23,010	62	–	391	23,463
At 31 March 2024	**22,027**	**–**	**–**	**170**	**22,197**

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

13 Intangible assets continued
The Group has incurred research and development costs of £0.2m (2023: £0.2m) which have been included within operating expenses in the consolidated income statement.

In the prior year, a customer-related intangible asset that had been recognised on acquisition of the US Derry, NH, USA facility, was fully impaired as the Group has minimal trading with the customers to which it related. The cost of £0.2m was recognised as an exceptional item in that year.

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 2024 and 31 March 2023 is allocated wholly to the CTP CGU as follows:

	2024 £000	2023 £000
CTP	**22,027**	23,010

At 31 March 2024, the recoverable amount of the CTP CGU was determined on a calculation of value in use, being the higher of that and fair value less costs of disposal ("FVLCD"). The recoverable amount calculated exceeds the carrying amount of the CTP CGU by £8.9m. 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 1.5% and 4.3% (2023: 2.0% and 4.1%) depending upon the market served.

The cash flows were discounted at a weighted average pre-tax discount rate of 16.9% (2023: 9.3% - 10.4%). The discount rate is calculated and reviewed annually and is 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 1.6% (2023: 5.5%) increase in the discount rate to 18.5% (2023: 14.8% - 15.9%), or an 8.1% (2023: 28.8%) decrease in underlying EBIT would reduce the headroom on the CTP 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.

14 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2022	42,923	72,127	115,050
Additions	1,662	4,148	5,810
Disposals	–	(1,483)	(1,483)
Reclassification to assets held for sale	(153)	–	(153)
Effect of movements in foreign exchange	1,709	1,840	3,549
Balance at 31 March 2023	**46,141**	**76,632**	**122,773**
Additions	**3,623**	**3,864**	**7,487**
Disposals	**(2,047)**	**(2,413)**	**(4,460)**
Effect of movements in foreign exchange	**(1,382)**	**(1,528)**	**(2,910)**
Balance at 31 March 2024	**46,335**	**76,555**	**122,890**

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

14 Property, plant and equipment continued

	Land and buildings £000	Plant and equipment £000	Total £000
Depreciation and impairment losses			
Balance at 31 March 2022	16,463	51,623	68,086
Depreciation charge for the year	3,596	4,219	7,815
Disposals	–	(999)	(999)
Reclassification to assets held for sale	(89)	–	(89)
Impairment	–	783	783
Effect of movements in foreign exchange	704	1,152	1,856
Balance at 31 March 2023	**20,674**	**56,778**	**77,452**
Depreciation charge for the year	**3,892**	**3,877**	**7,769**
Disposals	**(2,282)**	**(1,472)**	**(3,754)**
Reassessment of lease term	**1,310**	**–**	**1,310**
Impairment	**116**	**1,850**	**1,966**
Reversal of impairment	**–**	**(74)**	**(74)**
Effect of movements in foreign exchange	**(701)**	**(1,149)**	**(1,850)**
Balance at 31 March 2024	**23,009**	**59,810**	**82,819**
Carrying amounts			
At 1 April 2022	26,460	20,504	46,964
At 31 March 2023	25,467	19,854	45,321
At 31 March 2024	**23,326**	**16,745**	**40,071**

At 31 March 2024, properties with a carrying amount of £2.8m were subject to a registered charge in favour of the Group pension scheme (2023: £2.6m) capped at £5.1m.

Property, plant and equipment includes right-of-use assets as set out in note 4.

On 14 February 2024, the Group announced the intended closure of its Tucson, Arizona, USA facility. As a result of this decision, it was deemed by management that at 31 March 2024 there was reasonable certainty that the exit options within two of the property leases at that location would be exercised. As such, the lease liability was remeasured with a corresponding adjustment recognised against the right-of-use assets of £1.3m. Further, an impairment of £0.1m was recognised as an exceptional charge, classified as rationalisation costs in note 8, to impair the properties to value in use based upon expected closure date.

The impairment to plant and equipment of £1.9m includes £0.9m in respect to assets obtained for production on a leading global OEM customer who in December 2022 gave notice that they would not be proceeding into the production phase of their project. Whilst an impairment of £0.5m was recognised in the prior year, it was decided by management at 30 September 2023 that as the assets remained on balance sheet with no intended use, they should be impaired to recoverable amount, being fair value, less costs to dispose. A further impairment was recognised at the interim reporting date of £0.9m and there has been no change to this assessment of recoverable amount at 31 March 2024. Also, following the announcement of the intended closure of the Tucson, Arizona, USA site, management undertook an exercise to determine the recoverable amount of assets located at this site. The assets are a combination of both owned and leased, and recoverable amount has been determined through either fair value less costs of disposal or value in use. As a result of this review, an impairment of £1.0m has been recognised within exceptional items of which £0.6m is in respect to leased assets.

In the prior year, the decision by the Directors of the Group to proceed with a plan of rationalisation of the CTP USA manufacturing footprint led to an impairment review of the Derry, NH, USA site assets and ultimately an impairment charge of £0.3m recognised as an exceptional cost in the prior year. Assets that had been impaired in the year to 31 March 2023 were sold for £0.1m more than their impaired value and as such, £0.1m of the impairment provision has been reversed in the current year, recognised as a credit in exceptional items at 31 March 2024.

FVLCD valuation uses an estimate of the value which would be expected to be received from a third party in a sale of the asset, net of estimated sale costs. This valuation is a level 3 measurement which is based on inputs which are normally unobservable to market participants, including offers received and management's experience of selling similar assets. Refer to note 13 for details of cash flows and assumptions used in value in use calculations.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

15 Inventories

	2024 £000	2023 £000
Raw materials and consumables	**5,736**	9,213
Work in progress	**762**	620
Finished goods	**4,791**	5,370
	11,289	15,203

The value of inventories is stated after impairment for obsolescence and write downs to net realisable value of £2.2m (2023: £1.8m). The value of inventories carried at fair value less costs to sell at 31 March 2024 is £0.3m. The net charge to exceptional items in respect to inventory provisions in the year to 31 March 2024 is £0.2m (2023: £0.9m).

16 Contract assets

	2024 £000	2023 £000
Contract assets – see note 5	**1,663**	5,763

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 would be clearly immaterial (2023: immaterial).

Against an opening contract asset balance of £5.8m at 31 March 2023, £4.7m has been invoiced during the year to 31 March 2024.

17 Trade and other receivables

	2024 £000	2023 £000
Amounts due within one year		
Trade receivables	**15,187**	17,512
Less impairment provisions	**(694)**	(737)
	14,493	16,775
Prepayments	**3,315**	3,010
Other debtors	**992**	1,598
Trade and other receivables – due within one year	**18,800**	21,383

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 the economic climate on credit risk. A customer of the CTP division provided notice during the year to 31 March 2023 that it would be ceasing to operate and, due to its size, a provision was recognised and disclosed as an exceptional cost of £0.6m in the consolidated income statement in that year. This provision remains at 31 March 2024.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

17 Trade and other receivables continued

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 31 March was determined as follows for trade receivables:

	2024			2023		
	Gross carrying amount £000	**Loss allowance £000**	**Expected loss rate %**	Gross carrying amount £000	Loss allowance £000	Expected loss rate %
Not past due	**13,117**	**63**	**0.5%**	14,614	–	0.0%
Past due 0–30 days	**1,302**	**–**	**0.0%**	1,730	–	0.0%
Past due 31–60 days	**80**	**–**	**0.0%**	497	218	43.9%
Past due 61–120 days	**104**	**47**	**49.5%**	574	422	73.5%
More than 120 days	**584**	**584**	**100.0%**	97	97	100.0%
	15,187	**694**	**4.6%**	17,512	737	4.2%

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

	2024 £000	2023 £000
Balance at 1 April	**737**	44
Amounts written off	**–**	(149)
Net measurement of loss allowance	**(43)**	842
Balance at 31 March	**694**	737

18 Cash and cash deposits

	2024 £000	2023 £000
Cash at bank and in hand	**5,974**	10,354

At 31 March 2024, Carclo plc's overdraft of £4.5m (2023: £6.5m) has been recognised within cash and cash deposits when consolidated due to a right of set-off under a UK net overdraft arrangement.

There is no cash on deposit at 31 March 2024 (2023: £0.1m).

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

19 Non-current assets classified as held for sale

	2024 £000	2023 £000
Land and buildings held for sale at 1 April	–	266
Additions	–	64
Effect of movements in foreign exchange	–	30
Disposals	–	(360)
Net assets held for sale at 31 March	**–**	–

In the prior year, the Group finalised a sale and leaseback arrangement of a CTP division manufacturing site at Tucson, Arizona, USA for agreed consideration of $3.0m less costs of $0.2m (£2.4m net). A lease term of eight years and four months was agreed and granted the Group the right to cancel any time after 1 October 2025, provided twelve months' notice is given. At 31 March 2024 there is reasonable certainty that the Group will exercise the break clause, see note 4.

20 Loans and borrowings

	2024 £000	2023 £000
Current		
Bank loans:		
Term loan	**2,299**	1,224
Lease liabilities:		
Land and buildings	**2,488**	2,243
Plant and equipment	**1,896**	1,464
Other loans:		
Other	**70**	115
	6,753	5,046
Non-current		
Bank loans repayable between one and two years:		
Term loan	**21,383**	2,049
Revolving credit facility	**300**	–
Bank loans repayable between two and five years:		
Term loan	**–**	25,677
Revolving credit facility	**–**	3,500
Lease liabilities:		
Land and buildings	**3,175**	4,941
Plant and equipment	**3,608**	3,222
Other loans:		
Other loans repayable between one and two years	**151**	164
Other loans repayable between two and five years	**61**	115
	28,678	39,668
Total loans and borrowings	**35,431**	44,714

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

20 Loans and borrowings continued

The UK Group companies are part of a multi-currency net overdraft facility with a £nil net limit and a £12.5m gross limit. The overdrafts bear interest at between 2.0% and 4.5% above prevailing UK bank base rates. At 31 March 2024, Carclo plc's overdraft of £4.5m (2023: £6.5m) has been recognised within cash and cash deposits when consolidated due to a right of set-off within the net overdraft facility.

On 22 June 2023, the Group's lending bank agreed to an adjustment of the interest and the net leverage covenants related to the facilities. On 1 June 2023, a voluntary prepayment of £0.4m was made and on 30 June 2023, a further voluntary prepayment of £3.3m was made. The debt facilities available to the Group at 31 March 2024 comprise a term loan of £24.0m (31 March 2023: £29.3m), of which £1.0m will be amortised by 30 September 2024 with a further £1.3m by 31 March 2025. £3.8m will be amortised in the period between 31 May 2025 and 30 November 2025, before the balance becomes payable by the termination date, which on 5 July 2024 was successfully extended to 31 December 2025.

At 31 March 2024, the term loans are denominated as follows: sterling 9.2m, US dollar 13.3m and euro 4.9m. The facility also includes a £3.5m (2023: £3.5m) revolving credit facility, denominated in sterling, also maturing 31 December 2025.

An arrangement fee of £0.1m became payable on 17 July 2023 following the deed amendment to reset the interest cover and debt leverage covenants, which has been paid in full in the period. The £0.1m arrangement fee, along with the £0.5m fee which became payable on completion of the September 2022 refinancing, have been deducted from the carrying value of the term loan and are being amortised over the period to termination date. In total, £0.2m was amortised in the period ended 31 March 2024.

Bank loans incur interest at between 2.5% and 4.5% above prevailing bank reference rates.

The bank facilities are subject to four quarterly covenant tests as follows:

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.

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

Under the terms of the first amendment and restatement agreement, the Group is not permitted to make a dividend payment to the shareholders of Carclo plc up to the period ending 31 December 2025.

Bank loans include £24.3m (2023: £32.5m) 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.

Security is granted by certain Group companies to the bank such that at 31 March 2024 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 £202.5m (2023: £235.8m). Excluding the assets which eliminate in the Group upon consolidation, the value of the security was £24.6m (2023: £32.6m).

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

20 Loans and borrowings continued

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

	Term loan £000	Revolving credit facility £000	Lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2022	30,260	3,500	10,870	122	44,752
Changes from financing cash flows					
Drawings on new facilities	–	–	–	359	359
Transaction costs associated with the issue of debt	(500)	–	–	–	(500)
Repayment of borrowings	(1,800)	–	(4,328)	(102)	(6,230)
	(2,300)	–	(4,328)	257	(6,371)
Effect of changes in foreign exchange rates	818	–	373	15	1,206
Liability-related other changes					
Drawings on new facilities	–	–	4,955	–	4,955
Interest expense – presented within exceptional items	69	–	–	–	69
Interest expense – presented within finance expense	103	–	–	–	103
	172	–	4,955	–	5,127
Balance at 31 March 2023	28,950	3,500	11,870	394	44,714

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

20 Loans and borrowings continued

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

	Term loan £000	Revolving credit facility £000	Lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2023	28,950	3,500	11,870	394	44,714
Changes from financing cash flows					
Drawings on new facilities	**–**	**–**	**–**	**53**	**53**
Transaction costs associated with the issue of debt	**(100)**	**–**	**–**	**–**	**(100)**
Repayment of borrowings	**(5,050)**	**(3,200)**	**(3,659)**	**(132)**	**(12,041)**
	(5,150)	**(3,200)**	**(3,659)**	**(79)**	**(12,088)**
Effect of changes in foreign exchange rates	**(332)**	**–**	**(229)**	**(33)**	**(594)**
Liability-related other changes					
Drawings on new facilities	**–**	**–**	**4,583**	**–**	**4,583**
Reassessment of lease liability	**–**	**–**	**(1,349)**	**–**	**(1,349)**
Termination of facilities	**–**	**–**	**(49)**	**–**	**(49)**
Interest expense – presented within finance expense	**214**	**–**	**–**	**–**	**214**
	214	**–**	**3,185**	**–**	**3,399**
Balance at 31 March 2024	**23,682**	**300**	**11,167**	**282**	**35,431**

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

21 Deferred tax assets and liabilities
Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	2024 £000	2023 £000
Assets:		
Property, plant and equipment	**319**	282
Short-term timing differences	**1,224**	727
Tax losses	**76**	176
Offset with deferred tax liabilities	**(755)**	–
Deferred tax assets	**864**	1,185
Liabilities:		
Intangible assets	**(2,476)**	(2,504)
Property, plant and equipment	**(874)**	(1,991)
Short-term timing differences	**(73)**	(74)
Foreign tax on undistributed foreign profits	**(118)**	(348)
Offset with deferred tax assets	**651**	–
Deferred tax liabilities	**(2,890)**	(4,917)
Net deferred tax liability	**(2,026)**	(3,732)

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

21 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets

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

	2024 £000	2023 £000
Tax losses – trading	**6,285**	5,531
Tax losses – capital	**52**	52
Tax losses – non-trading	**1,230**	1,658
Property, plant and equipment	**2,775**	2,514
Short-term timing differences	**470**	9
Employee benefits	**9,298**	8,624
	20,110	18,388

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 regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term.

Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain; this was not the case at 31 March 2024. Similarly, non-trading losses will only be utilised against future non-trading profits. No such non-trading profits are foreseen at 31 March 2024.

£0.1m of the short-term timing differences recognised at 31 March 2024 (2023: £0.1m) are time restricted to five years, the remainder are available to carry forward without time restriction.

At 31 March 2024, £0.1m of deferred tax liabilities were recognised for taxes that would be deductible on the unremitted earnings of the Group's overseas subsidiary undertakings (2023: £0.3m). 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 £0.7m of additional tax would be payable (2023: £0.4m).

Deferred tax assets and liabilities at 31 March 2024 have been calculated based on the rates substantively enacted at the balance sheet date.

The main rate of corporation tax became 25% from 1 April 2023. Deferred tax on future UK balances has been calculated based on this rate. Overseas taxes are calculated at the rates prevailing in the respective jurisdictions.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

21 Deferred tax assets and liabilities continued

Reconciliation of movement in net recognised deferred tax liabilities

	Balance as at 1 April 2023 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 March 2024 £000**
Property, plant and equipment	(1,709)	**1,136**	**20**	**(553)**
Intangible assets	(2,504)	**–**	**29**	**(2,475)**
Short-term timing differences	653	**401**	**(9)**	**1,045**
Tax losses	176	**(93)**	**(7)**	**76**
Foreign tax on undistributed foreign profits	(348)	**229**	**–**	**(119)**
	(3,732)	**1,673**	**33**	**(2,026)**

	Balance as at 1 April 2022 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 March 2023 £000
Property, plant and equipment	(1,263)	(359)	(87)	(1,709)
Intangible assets	(2,622)	202	(84)	(2,504)
Short-term timing differences	(67)	736	(16)	653
Tax losses	870	(691)	(3)	176
Foreign tax on undistributed foreign profits	(393)	45	–	(348)
	(3,475)	(67)	(190)	(3,732)

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

22 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 2,493 current and past employees as at 31 March 2024.

The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the trustees is determined by the Scheme's trust documentation. It is policy that one-third of all trustees should be nominated by the members. The trustees currently comprise 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. 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 instead have the option of entering into the defined contribution section of the 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 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 2021 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. The 31 March 2021 actuarial valuation showed a deficit of £82.8m. Under the recovery plan agreed with the trustees following the 2021 valuation, the Group agreed that it would aim to eliminate the deficit, over a period of 18 years and 7 months starting from the valuation date and continuing until 31 October 2039, by the payment of annual contributions combined with the assumed asset returns in excess of gilt yields. Contributions paid in respect of the year to 31 March 2023 amounted to £3.9m, £3.5m in respect of the year to 31 March 2024 and are agreed as £3.5m annually thereafter, plus additional contributions of 26% of any surplus of FY25 underlying EBITDA over £18.0m payable from 30 June 2025 to 31 May 2026. These contributions include an allowance in respect of the expenses of running the Scheme and the Pension Protection Fund ("PPF") levy of £0.9m in years ending 31 March 2024 and 2025 and £0.6m in the year to 31 March 2026 and beyond.

At each triennial valuation, the schedule of contributions is reviewed and reconsidered between the employer and the trustees; the next review being no later than by 31 July 2025 after the results of the 31 March 2024 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 2024 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 £207.6m (2023: £240.9m). Excluding the assets which eliminate in the Group upon consolidation, the value of the security was £29.7m (2023: £37.7m).

For the purposes of IAS 19, the results of the actuarial valuation as at 31 March 2021, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2024. 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 presented on page 128. 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

22 Retirement benefit obligations continued

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 68% of its asset value in liability-driven investments, 30% in a portfolio of diversified growth funds and 2% in cash and liquidity funds. The objective of the growth portfolio is that in combination, the matching credit, liability-driven investments and cash components generate sufficient return to meet the overall portfolio return objective.
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 60% of the Scheme's funded liabilities are currently hedged against interest rates using liability-driven investments. It should be noted that the Scheme hedges interest rate risk on a statutory and long-term funding basis (gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.
Inflation risk	An increase in inflation results in higher benefit increases for members which in turn increases the Scheme's liabilities.	The trustees' investment strategy includes investing in liability-driven investments which will move with inflation expectations with approximately 60% 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

22 Retirement benefit obligations continued

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

	2024 £000	2023 £000
Present value of funded obligations	**(130,420)**	(134,091)
Fair value of scheme assets	**93,234**	99,598
Recognised liability for defined benefit obligations	**(37,186)**	(34,493)

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 £54.101m.

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

	2024 £000	2023 £000
Net liability for defined benefit obligations at the start of the year	**(34,493)**	(25,979)
Contributions paid	**3,500**	4,142
Net expense recognised in the consolidated income statement (see below)	**(3,525)**	(2,079)
Remeasurement losses recognised in other comprehensive income	**(2,668)**	(10,577)
Net liability for defined benefit obligations at the end of the year	**(37,186)**	(34,493)

Movements in the present value of defined benefit obligations

	2024 £000	2023 £000
Defined benefit obligation at the start of the year	**134,091**	181,759
Interest expense	**6,615**	4,750
Actuarial loss due to scheme experience	**1,308**	4,897
Actuarial gains due to changes in demographic assumptions	**(2,187)**	(7,539)
Actuarial loss/(gains) due to changes in financial assumptions	**585**	(38,032)
Benefits paid	**(11,012)**	(11,744)
Past service cost (see note 8)	**1,020**	–
Defined benefit obligation at the end of the year	**130,420**	134,091

There have been no plan amendments, curtailments or settlements during the period.

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions ("GMPs") accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods for equalisation.

The trustees of the plan will need to obtain legal advice covering the impact of the ruling on the plan, before deciding with the employer on the method to adopt. The legal advice will need to consider (amongst other things) the appropriate GMP equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out for example).

In the year to 31 March 2020, 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 accounting figures for that year, increasing liabilities by 1.68%, and a resulting past service cost of £3.6m 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 £0.2m (approximately 0.1% of liabilities). This additional service cost was recognised through the income statement as a past service cost in the year ended 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 2024.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

22 Retirement benefit obligations continued

During the year to 31 March 2024, the trustees of the Scheme identified that a group of members required an adjustment to their benefits in respect of the requirement to provide equal benefits to males and females following the Barber judgement in 1990. In summary, the adjustment consisted of decreasing the normal retirement age from 65 to 60 for some members' benefits, for some elements of service after 17 May 1990. This has resulted in additional liabilities in the Scheme which have been accounted for as a £1.0m past service cost in the income statement, recognised as an exceptional cost (approximately 0.8% of liabilities).

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

	2024 %	2023 %
Active	–	–
Deferred	28	29
Pensioners	72	71
	100	100

Movements in the fair value of Scheme assets

	2024 £000	2023 £000
Fair value of Scheme assets at the start of the year	99,598	155,780
Interest income	4,789	4,085
Loss on Scheme assets excluding interest income	(2,962)	(51,251)
Contributions by employer	3,500	4,142
Benefits paid	(11,012)	(11,744)
Expenses paid	(679)	(1,414)
Fair value of Scheme assets at the end of the year	93,234	99,598
Actual gain/(loss) on Scheme assets	1,827	(47,166)

The fair value of Scheme asset investments was as follows:

	2024 £000	2023 £000
Diversified growth funds	27,484	28,463
Bonds and liability-driven investment funds	63,777	68,365
Cash and liquidity funds	1,973	2,770
Total assets	93,234	99,598

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 recognised in the consolidated income statement was as follows:

	2024 £000	2023 £000
Past service cost	1,020	–
Net interest on the net defined benefit liability	1,826	665
Scheme administration expenses	679	1,414
	3,525	2,079

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

22 Retirement benefit obligations continued
The net expense recognised in the following line items in the consolidated income statement was as follows:

	2024 £000	2023 £000
Charged to operating profit	**662**	1,242
Charged to exceptional items	**1,037**	172
Other finance revenue and expense – net interest on the net defined benefit liability	**1,826**	665
	3,525	2,079

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

	2024 %	2023 %
Discount rate at 31 March	**4.85**	4.90
Future salary increases	**N/A**	N/A
Inflation (RPI) (non-pensioner)	**3.30**	3.25
Inflation (CPI) (non-pensioner)	**2.80**	2.75
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.30**	3.25
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.80**	2.75
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.05**	2.90
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.15**	2.00
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.75**	3.80
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.30**	4.35

The mortality assumptions adopted at 31 March 2024 are 165% of each of the standard tables S3PMA/S3PFA (2023: 165% of S3PMA/S3PFA respectively), year of birth, no age rating for males and females, projected using CMI_2022 (2023: CMI_2021) converging to 1.0% p.a. (2023: 1.0%) with a smoothing parameter 7.0% (2023: 7.0%).

It is recognised that the Core CMI_2022 model is likely to represent an overly cautious view of experience in the near term. As a result, management has applied judgement and has adopted additional weightings of 10% above the core parameters for 2020, 2021 and 2022 data (2023: 10% of 2020 and 2021 data) to represent possible future trend as a best estimate. This will be kept under review in the future. These assumptions imply the following life expectancies:

	2024	2023
Life expectancy for a male (current pensioner) aged 65	**17.4 years**	17.8 years
Life expectancy for a female (current pensioner) aged 65	**20.1 years**	20.4 years
Life expectancy at 65 for a male aged 45	**18.3 years**	18.7 years
Life expectancy at 65 for a female aged 45	**21.2 years**	21.6 years

It is assumed that 75% of the post A-Day maximum for active and deferred members will be commuted for cash (2023: 75%).

Pension Increase Exchange take-up was estimated to be 40% on implementation in the year ended 31 March 2022; there has been no change made to this assumption nor to the 2021 bridging pension option take-up of 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

22 Retirement benefit obligations continued

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

	2024 %	**2024 £000**	2023 %	2023 £000
Discount rate[1]				
Increase of 0.25% per annum	**(2.45)**	**(3,194)**	(2.41)	(3,228)
Decrease of 0.25% per annum	**2.56**	**3,334**	2.51	3,365
Decrease of 1.0% per annum	**10.93**	**14,253**	10.71	14,363
Inflation[2]				
Increase of 0.25% per annum	**0.81**	**1,057**	0.64	853
Increase of 1.0% per annum	**3.09**	**4,032**	2.77	3,711
Decrease of 1.0% per annum	**(2.86)**	**(3,730)**	(2.61)	(3,499)
Life expectancy				
Increase of 1 year	**4.25**	**5,545**	4.30	5,765

1. At 31 March 2024, the assumed discount rate is 4.85% (2023: 4.90%).
2. At 31 March 2024, the assumed rate of RPI inflation is 3.30% and CPI inflation 2.80% (2023: RPI 3.25% and CPI 2.75%).

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 2024 is ten years (2023: twelve years).

The life expectancy assumption at 31 March 2024 is based upon increasing the age rating assumption by one year (2023: one 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

22 Retirement benefit obligations continued

The history of the Scheme's deficits and experience gains and losses is shown in the following table:

	2024 £000	2023 £000
Present value of funded obligation	(130,420)	(134,091)
Fair value of Scheme asset investments	93,234	99,598
Recognised liability for defined benefit obligations	(37,186)	(34,493)
Actual loss on Scheme assets	1,827	(47,166)
Actuarial gains due to changes in demographic assumptions	2,187	7,539
Actuarial (loss)/gains due to changes in financial assumptions	(585)	38,032

23 Provisions

	2024				2023		
	Tucson, USA restructuring £000	Legacy health claims £000	Onerous contract £000	Total £000	Legacy health claims £000	Onerous contract £000	Total £000
Provisions at the start of the year	–	302	171	473	–	87	87
Provision established in the period	709	12	–	721	302	171	473
Provisions used in the period	–	(6)	(171)	(177)	–	(87)	(87)
Provision released in the period	–	(296)	–	(296)	–	–	–
Provisions at the end of the year	709	12	–	721	302	171	473
Current	709	12	–	721	302	171	473

Following the announcement of the closure of the Tucson, Arizona, USA facility on 14 February 2024, provision has been made in the current period for employee redundancy, and dilapidations relating to the leased properties on that site. Provisions recognised are management's best estimates of the cost that will be required to settle the Group's obligation at a future date. Advice has been sought from a third party who has provided an estimate of the cost to make good the properties prior to exit; however, until the final cost is agreed with the lessor, this remains an estimate. Following closure (expected before 31 March 2025), any unused provision will be released to exceptional items as a credit in FY25. Other provisions have been recognised at 31 March 2024 for impairment of fixed assets and inventory at this site and are deducted from the carrying value of the respective assets on the balance sheet. All Tucson closure-related costs have been recognised as exceptional in the income statement in the period to 31 March 2024, see note 8.

Provision was made in the year to 31 March 2023 for legacy health-related claims which were classified as exceptional in the income statement. The outcome was determined in the current period resulting in the release of the provision, less costs, back to exceptional items as a credit. During the year to 31 March 2024, provision has been made for a new claim; external advice has been sought.

The short lease at the CTP US site in Derry, NH ended mid-March 2024 when the site was closed; the provision recognised at 31 March 2023 was fully utilised in the period.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

24 Trade and other payables – falling due within one year

	2024 £000	2023 £000
Trade payables	**10,005**	13,085
Other taxes and social security costs	**712**	940
Other creditors	**1,405**	2,599
Accruals	**5,368**	4,784
	17,490	21,408

25 Ordinary share capital

Ordinary shares of 5 pence each

	Number of shares	£000
Issued and fully paid at 31 March 2023	73,419,193	3,671
Issued and fully paid at 31 March 2024	**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 4,606,957 potential share options outstanding under the performance share plan at 31 March 2024 (2023: 2,857,752). No options vested during the year to 31 March 2024 (2023: nil).

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	621,043	nil	5 August 2024
Performance share plan	3 August 2022	670,914	nil	3 August 2025
Performance share plan	21 September 2023	3,315,000	nil	21 September 2026

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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

25 Ordinary share capital continued

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

	2024					
Performance share plan – date granted 21 September 2023	Cash award TSR	Cash award EPS	Equity award TSR	Equity award EPS	Restricted equity award TSR	Restricted equity award EPS
Number of shares per tranche	100,000	100,000	557,500	557,500	1,000,000	1,000,000
Fair value at grant date	1.6p	12.7p	1.6p	12.7p	1.4p	10.8p
Share price at grant date	12.73p	12.73p	12.73p	12.73p	12.73p	12.73p
Exercise price	0.0p	0.0p	0.0p	0.0p	0.0p	0.0p
Risk-free rate	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%
Expected volatility	73.20%	73.20%	73.20%	73.20%	73.20%	73.20%
Expected dividend yield	0%	0%	0%	0%	0%	0%

	2023					
Performance share plan – date granted 3 August 2022	Cash award TSR	Cash award EPS	Equity award TSR	Equity award EPS	Restricted equity award TSR	Restricted equity award EPS
Number of shares per tranche	414,658	414,658	260,550	260,550	100,079	100,079
Fair value at grant date	3.8p	12.8p	10.9p	20.2p	8.3p	15.4p
Share price at grant date	20.2p	20.2p	20.2p	20.2p	20.2p	20.2p
Exercise price	0.0p	0.0p	0.0p	0.0p	0.0p	0.0p
Risk-free rate	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%
Expected volatility	106.11%	106.11%	106.11%	106.11%	106.11%	106.11%
Expected dividend yield	0%	0%	0%	0%	0%	0%

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 21 September 2023, 3 August 2022 and 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. For those granted on 21 September 2023, 100% of the awards subject to the TSR performance condition will vest where the Company's average share price during the 60 days prior to vest (the "measurement period") is at least 100 pence and 0% vest if the average is lower than 40 pence, with options vesting in a straight-line apportionment between 40 pence and 100 pence. For grants made on 3 August 2022 and 5 August 2021, 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% vest if the average is lower than 70 pence, and 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 100 pence and 90 pence respectively.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

25 Ordinary share capital continued

100% of awards granted on 21 September 2023, subject to the EPS condition, will vest in full if Carclo plc's EPS for the financial year ending 31 March 2026 (31 March 2025 and 31 March 2024 for the awards granted on 3 August 2022 and 5 August 2021 respectively) is at least 10.0 pence and 0% will vest if less than 6.0 pence (2022 and 2021 grants: 100% if more than 8.0 pence and 0% if less than 6.0 pence). Between 10.0 pence and 6.0 pence, awards will vest on a straight-line apportionment (2022 and 2021: 5% of the shares subject to the EPS part of the award would vest for every 0.1 pence above 6.0 pence).

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 £0.05m (2023: credit of £0.05m).

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

	2024		2023	
	Weighted average exercise price pence	Number of shares	Weighted average exercise price pence	Number of shares
Outstanding at 1 April	–	2,873,726	–	1,533,350
Lapsed during the period	–	(1,565,795)	–	(210,198)
Exercised during the period	–	–	–	–
Granted during the period	–	3,315,000	–	1,550,574
Outstanding at the end of the period	–	4,622,931	–	2,873,726
Exercisable at 31 March		15,974		15,974
Weighted average remaining contractual life at 31 March		2.02 years		1.87 years

26 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 2024, the plan held 3,077 shares (2023: 3,077 shares). The original cost of these shares was £0.003m (2023: £0.003m). The cost of the shares was charged against the profit and loss account.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

27 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 £0.02m. The amounts shown in the balance sheet are after making due provision for any credit loss provision.

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 £3.2m at 31 March 2024 (2023: £nil).

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

	2024 £000	2023 £000
Trade receivables, net of attributable impairment provisions (see note 17)	**14,493**	16,775
Cash and cash deposits (see note 18)	**5,974**	10,354
Contract assets (see note 16)	**1,663**	5,763
	22,130	32,892

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:

	2024 £000	2023 £000
United Kingdom	**6,557**	6,693
Rest of Europe	**1,298**	1,537
North America	**4,233**	6,063
Rest of world	**2,405**	2,482
Trade receivables, net of attributable impairment provisions	**14,493**	16,775
United Kingdom	**292**	1,165
Rest of Europe	**33**	276
North America	**1,335**	4,321
Rest of world	**3**	1
Contract assets, net of attributable impairment provisions	**1,663**	5,763

b) Interest rate risk

The Group's borrowings are on fixed and floating rate terms, no borrowings are non-interest bearing. The interest charge borne by the Group in the year to 31 March 2024 was c.40% higher than prior year as a result of significant market interest rate increases impacting the floating rate borrowings.

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	Total £000
As at 31 March 2024			
Sterling	**4,546**	**9,422**	**13,968**
US dollar	**5,368**	**10,569**	**15,937**
Euro	**1,148**	**4,212**	**5,360**
Other	**166**	**–**	**166**
	11,228	**24,203**	**35,431**

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

27 Financial instruments continued

b) Interest rate risk continued

	Fixed rate interest payable £000	Floating rate interest payable £000	Total £000
As at 31 March 2023			
Sterling	4,979	17,337	22,316
US dollar	5,966	10,789	16,755
Euro	886	4,324	5,210
Other	433	–	433
	12,264	32,450	44,714

The interest rate profile of financial assets by currency of the Group as at 31 March was as follows:

	Floating rate interest receivable £000	**Non-interest bearing receivable £000**	**Total £000**
As at 31 March 2024			
Sterling	**–**	**30**	**30**
US dollar	**40**	**2,881**	**2,921**
Euro	**–**	**1,707**	**1,707**
Other	**–**	**1,316**	**1,316**
	40	**5,934**	**5,974**

	Floating rate interest receivable £000	Non-interest bearing receivable £000	Total £000
As at 31 March 2023			
Sterling	–	1,965	1,965
US dollar	132	3,694	3,826
Euro	–	3,157	3,157
Other	81	1,325	1,406
	213	10,141	10,354

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

The Group has a UK multi-currency net overdraft facility with a £nil net limit and a £12.5m gross limit. The overdrafts bear interest at 4.5% above prevailing UK bank base rates. At 31 March 2024, Carclo plc's overdraft of £4.5m (2023: £6.5m) has been recognised within cash and cash deposits when consolidated due to a right of set-off.

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 20 for further details.

As detailed in note 20, at 31 March 2024, the Group had committed term loans outstanding of £24.0m (2023: £29.3m) and a committed revolving credit facility available of £3.5m which was £0.3m drawn (2023: £3.5m facility, £3.5m drawn).

The Group's net debt at 31 March 2024 was £29.5m (2023: £34.4m). The net debt comprised £35.4m interest-bearing loans and borrowings (see note 20) less £6.0m cash and cash deposits (see note 18).

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 2024 and as such the plc overdraft at year end of £4.5m 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.

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

27 Financial instruments continued

c) Liquidity risk continued

The maturity of financial liabilities of the Group as at 31 March was as follows:

	Term loan £000	Revolving credit facility £000	Other loans £000	Lease liabilities £000	Total £000
As at 31 March 2024					
Within 1 year	**2,299**	**–**	**70**	**4,385**	**6,754**
Within 1 to 2 years	**21,383**	**300**	**151**	**1,876**	**23,710**
Within 2 to 5 years	**–**	**–**	**61**	**4,147**	**4,208**
More than 5 years	**–**	**–**	**–**	**759**	**759**
	23,682	**300**	**282**	**11,167**	**35,431**

	Term loan £000	Revolving credit facility £000	Other loans £000	Lease liabilities £000	Total £000
As at 31 March 2023					
Within 1 year	1,224	–	115	3,707	5,046
Within 1 to 2 years	2,049	–	164	3,584	5,797
Within 2 to 5 years	25,677	3,500	115	3,856	33,148
More than 5 years	–	–	–	723	723
	28,950	3,500	394	11,870	44,714

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 $13.3m (2023: $13.3m) 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 €4.9m (2023: €4.9m) 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

27 Financial instruments continued

d) Foreign currency risk continued

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:

	2024		2023	
	Less than 6 months £000	6-12 months £000	Less than 6 months £000	6-12 months £000
Assets	–	–	923	–
Liabilities	–	–	–	–
	–	–	923	–

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 2024					
Trade receivables, net of attributable impairment provisions (see note 17)	**5,425**	**4,908**	**2,361**	**1,799**	**14,493**
Trade payables (see note 24)	**(3,006)**	**(5,355)**	**(704)**	**(940)**	**(10,005)**
Net	**2,419**	**(447)**	**1,657**	**859**	**4,488**
As at 31 March 2023					
Trade receivables, net of attributable impairment provisions	5,982	6,407	1,581	2,805	16,775
Trade payables	(3,777)	(7,086)	(1,249)	(973)	(13,085)
Net	2,205	(679)	332	1,832	3,690

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

	Average rate		Reporting date mid-market rate	
	2024	2023	**2024**	2023
Sterling/US dollar	**1.26**	1.19	**1.26**	1.24
Sterling/Euro	**1.16**	1.18	**1.17**	1.14
Sterling/Czech koruna	**28.33**	27.74	**29.53**	26.69
Sterling/Chinese yuan	**8.98**	8.22	**9.12**	8.50
Sterling/Indian rupee	**104.17**	96.99	**105.23**	101.56

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

27 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 2024 and 31 March 2023. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2024 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.

Parts of the Group's net investments in these overseas subsidiaries are hedged by foreign currency denominated, secured bank loans, as detailed in note 20 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:

	2024			2023		
		Carrying amount			Carrying amount	
	Loans and borrowings £000	Assets £000	Liabilities £000	Loans and borrowings £000	Assets £000	Liabilities £000
US dollar	**10,569**	**39,692**	**(17,848)**	10,789	56,240	(28,329)
Euro	**4,212**	**5,251**	**(1,223)**	4,324	5,244	(1,081)
Other currencies	**–**	**23,603**	**(4,268)**	–	34,659	(12,017)

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 £0.3m 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 2024, 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 £0.3m (2023: £0.3m decrease).

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

27 Financial instruments continued

d) Foreign currency risk continued

Hedges of net investments in foreign operations continued

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 £0.8m for the year ended 31 March 2024 (2023: £0.8m decrease) which is detailed by currency in the following table:

	2024 £000	2023 £000
US dollar	**267**	269
Euro	**27**	39
Czech koruna	**88**	88
Other	**411**	410
	793	806

Capital risk management

The capital structure of the Group consists of net debt (comprising borrowings as detailed in note 20 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.

28 Cash generated from operations

	2024 £000	2023 £000
Loss for the year	**(3,299)**	(3,957)
Adjustments for:		
Pension scheme contributions net of costs settled by the Company	**(2,972)**	(3,287)
Pension scheme costs settled by the Scheme	**151**	559
Depreciation charge	**7,769**	7,815
Amortisation charge	**163**	211
Exceptional rationalisation costs	**2,212**	1,235
Exceptional refinancing costs	**125**	69
Exceptional costs arising from cancellation of future supply agreement	**1,034**	751
Exceptional doubtful debt and related inventory provision	**140**	896
Exceptional settlement/costs in respect to legacy claims	**(283)**	302
Exceptional past service costs in respect of retirement benefits	**1,020**	–
Exceptional profit on disposal of surplus property	**–**	(769)
Profit on disposal of other plant and equipment	**(17)**	–
Loss on disposal of intangible non-current assets	**–**	14
Share-based payment charge/(credit)	**43**	(33)
Cash flow relating to onerous lease	**(177)**	–
Financial income	**(424)**	(218)
Financial expense	**6,011**	3,967
Taxation expense	**(498)**	1,437
Operating cash flow before changes in working capital	**10,998**	8,992
Changes in working capital		
Decrease in inventories	**3,427**	1,539
Decrease in contract assets	**3,985**	2,388
Decrease/(increase) in trade and other receivables	**2,128**	(1,656)
Decrease in trade and other payables	**(3,294)**	(943)
Decrease in contract liabilities	**(1,629)**	(2,542)
Cash generated from operations	**15,615**	7,778

Notes to the consolidated financial statements continued

for the year ended 31 March 2024

29 Financial commitments

	2024 £000	2023 £000
The Directors have authorised the following future capital expenditure which is contracted:	–	795

30 Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 31), 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 64% dormant subsidiary Platform Diagnostics Limited.

On 21 August 2023, the Board announced, with immediate effect, the resignation of David Bedford as Chief Financial Officer, Company Secretary and as a Director of the Company. On the same day, Eric Hutchinson, formerly a Non-Executive Director, was appointed as Chief Financial Officer and Company Secretary with immediate effect, thus becoming an Executive Director.

Also on 21 August 2023, Rachel Amey, a Non-Executive Director, was appointed as Chair of the Audit & Risk Committee, interim Chair of the Remuneration Committee and interim Senior Independent Director with immediate effect.

On 29 January 2024, the Board announced the appointment of Jonathan Templeman as a Non-Executive Director of the Board with effect from 1 February 2024. He was a member of the Audit & Risk, Remuneration and Nomination Committees and Senior Independent Director until 27 February 2024 following the announcement of his resignation as a Non-Executive Director of the Company on 28 February 2024. Rachel Amey was re-appointed as Senior Independent Director with immediate effect.

During the year to 31 March 2024, the Group paid £0.7m (2023: £0.7m) to Thingtrax, a company that offers intelligent manufacturing infrastructure as a service, the cost has been recognised in the income statement. Frank Doorenbosch, a Carclo plc Executive Director, is also a Non-Executive Director of Thingtrax and, as such, the company is identified as a related party.

There have been no other changes to related parties in the year ended 31 March 2024.

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 76.

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 £0.3m per month during the year to 31 March 2024 to incorporate both deficit recovery contributions and scheme expenses including PPF levy. The monthly cost will remain the same in the year to 31 March 2025 plus additional contributions of 26% of any surplus of FY25 underlying EBITDA over £18.0m agreed.

Carclo incurred administration costs of £0.9m during the period which has been charged to the consolidated income statement, including £0.1m presented as exceptional costs (2023: £1.4m, of which £0.2m were presented as exceptional costs). Costs of £nil were incurred to manage the plan's assets (2023: £nil recognised against the pension deficit). Of the administration costs, £0.7m are payable directly by the scheme (2023: £0.8m). The total of deficit reduction contributions and administration costs paid by the Group during the period was £3.5m (2023: £4.1m).

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

31 Group entities
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 Company and Group have the following investments in subsidiaries:

Company	Registered office address	Principal place of business	Status	Class of shares held	2024 %	2023 %
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, Camara 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	Dormant	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

1. Registered office address is: 47 Wates Way, Mitcham, Surrey, CR4 4HR.
2. Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk Industrial Estate, Musselburgh, East Lothian, EH21 7PA.

Notes to the consolidated financial statements continued
for the year ended 31 March 2024

31 Group entities continued
Investments in subsidiaries continued

Company	Registered office address	Principal place of business	Status	Class of shares held	2024 %	2023 %
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
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

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Notes to the consolidated financial statements continued
for the year ended 31 March 2024

31 Group entities continued
Investments in subsidiaries continued

Company	Registered office address	Principal place of business	Status	Class of shares held	2024 %	2023 %
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
Streamline Aerospace 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

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Notes to the consolidated financial statements continued
for the year ended 31 March 2024

31 Group entities continued
Investments in subsidiaries continued

Group	Registered office address	Principal place of business	Status	Class of shares held	2024 %	2023 %
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
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	**64**	64
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

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Notes to the consolidated financial statements continued
for the year ended 31 March 2024

31 Group entities continued
Investments in subsidiaries continued

Group	Registered office address	Principal place of business	Status	Class of shares held	2024 %	2023 %
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	**64**	64
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

1. Registered office address is: 47 Wates Way, Mitcham, Surrey, CR4 4HR.

32 Post balance sheet events
Notice was given to the landlord on 12 April 2024 that the Company would exercise the break option to exit the leased buildings at Tucson, Arizona, USA on 1 October 2025 following the decision to close the facility at Tucson. The reduction in the lease liability of £1.3m has been reflected in the balance sheet at 31 March 2024 as the Company is certain to exit on closure, see note 4.

On 5 July 2024, the Group's lending bank extended the committed facilities to 31 December 2025.

Company balance sheet
as at 31 March 2024

		2024		2023	
	Notes	£000	£000	£000	£000
Fixed assets					
Property, plant and equipment	35	**199**		125	
Intangible assets	36	**89**		65	
Investments in subsidiary undertakings	37	**77,517**		83,517	
Deferred tax assets	42	**283**		283	
			78,088		83,990
Current assets					
Debtors – amounts falling due within one year	38	**58,505**		73,452	
Debtors – amounts falling due after more than one year	38	**214**		220	
Cash at bank and in hand		**146**		547	
		58,865		74,219	
Creditors – amounts falling due within one year					
Trade and other creditors	40	**(116,336)**		(115,636)	
Provisions	39	**(12)**		(302)	
		(116,348)		(115,938)	

Company balance sheet continued

as at 31 March 2024

	Notes	2024 £000	2024 £000	2023 £000	2023 £000
Net current liabilities			**(57,483)**		(41,719)
Total assets less current liabilities			**20,605**		42,271
Creditors – amounts falling due after more than one year	41		**(29,732)**		(37,905)
Net assets excluding pension liability			**(9,127)**		4,366
Pension liability	43		**(37,186)**		(34,493)
Net liabilities			**(46,313)**		(30,127)
Capital and reserves					
Called-up share capital	25		**3,671**		3,671
Share premium account			**7,359**		7,359
Profit and loss account			**(57,343)**		(41,157)
Shareholders' deficit			**(46,313)**		(30,127)

The Company reported a loss after tax for the year of £13.6m (2023: loss of £15.8m).

These accounts were approved by the Board of Directors on 26 July 2024 and were signed on its behalf by:

Frank Doorenbosch
Director

Eric Hutchinson
Director

Registered Number 00196249

Company statement of changes in equity
as at 31 March 2024

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2022	3,671	7,359	(14,719)	(3,689)
Loss for the year	–	–	(15,828)	(15,828)
Other comprehensive expense				
Remeasurement losses on defined benefit scheme	–	–	(10,577)	(10,577)
Taxation on items above	–	–	–	–
Total comprehensive expense for the year	–	–	(26,405)	(26,405)
Transactions with owners recorded directly in equity				
Share-based payments	–	–	(33)	(33)
Taxation on items recorded directly in equity	–	–	–	–
Balance at 31 March 2023	3,671	7,359	(41,157)	(30,127)
Balance at 1 April 2023	**3,671**	**7,359**	**(41,157)**	**(30,127)**
Loss for the year	**–**	**–**	**(13,561)**	**(13,561)**
Other comprehensive expense				
Remeasurement losses on defined benefit scheme	**–**	**–**	**(2,668)**	**(2,668)**
Taxation on items above	**–**	**–**	**–**	**–**
Total comprehensive expense for the year	**–**	**–**	**(16,229)**	**(16,229)**
Transactions with owners recorded directly in equity				
Share-based payments	**–**	**–**	**43**	**43**
Balance at 31 March 2024	**3,671**	**7,359**	**(57,343)**	**(46,313)**

Notes to the Company financial statements

for the year ended 31 March 2024

33 Basis of preparation for the Company

Going concern

The financial statements are prepared on the going concern basis.

On 5 July 2024, the Group's lending bank extended the committed facilities to 31 December 2025. Since the year end, the Company has commenced a process to refinance the existing term loans and revolving credit facilities in order to provide the strategic funding for the next phase of the business development. Other than mentioned, since the year end there have been no significant changes to the Group's liquidity position.

As part of the original bank financing in August 2020, the Group became subject to four bank facility covenant tests. The quarterly covenants, and levels, to be tested are:

- underlying interest cover (minimum 1.45 in March 2024, increasing to 2.60 by December 2025);
- net debt to underlying EBITDA (2.75 maximum);
- core subsidiary underlying EBITA (50% minimum); and
- core subsidiary revenue (75% minimum).

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.

A schedule of contributions is also in place with the pension trustees with an agreed £3.5m to be paid annually until 31 October 2039. Additional contributions also agreed are 26% of any FY25 surplus over underlying EBITDA of £18.0m.

The Group is subject to a number of key risks and uncertainties, as detailed in the Principal risks and uncertainties section on pages 37 to 42. Mitigation actions are also considered in this section. These risks and uncertainties have been considered in the base case and severe downside sensitivities and have been modelled accordingly.

The Directors have reviewed cash flow and covenant forecasts to cover the period of at least twelve months from the date of signing these consolidated financial statements considering the Group's available debt facilities and the terms of the arrangements with the Group's bank and the Group pension scheme.

The base case forecast includes assumptions around revenue, margins, working capital and interest rates. The sensitivity analysis has considered the risks facing the Group and has modelled the impact of each in turn, as well as considering the impact of aggregating certain risk types, and shows that the Group is able to operate within its available facilities and meet its agreed covenants as they arise. Furthermore, the Directors have reviewed sensitivity testing, modelling a range of severe downside scenarios. These sensitivities attempt to incorporate identified risks set out in the Principal risks and uncertainties section of this report.

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of: loss of business from discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group revenue of 3% matched by a corresponding fall in cost of sales of the same amount, and interest rate risk. Under these scenarios the Group would continue to meet minimum covenant requirements, although with minimal headroom under these scenarios in the next twelve months. The downside testing did not allow for the benefit of any action that could be taken by management to mitigate the impact of the scenarios. Using the base case forecast the minimal underlying operating profit headroom, observed on the underlying interest cover covenant, would be £0.8m. This suggests that a £16m drop in revenue or a 12% drop in underlying operating profit would result in a breach of covenants.

The Group is not exposed to vulnerable sectors or vulnerable countries but is dependent on certain key customers, which create risks and uncertainties. These risks and uncertainties are documented, and the mitigating actions being taken are covered in detail in the Principal risks and uncertainties section, on pages 37 to 42.

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 and will be able to adhere to the covenant tests to which it is subject throughout at least the twelve-month period from the date of signing the financial statements.

Accordingly, these financial statements are prepared on a going concern basis.

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 2024 which have had a material impact on the Company.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of 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, tangible and intangible 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.

Notes to the Company financial statements continued
for the year ended 31 March 2024

33 Basis of preparation for the Company continued

Accounting policies for the Company continued

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 48.

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 2023. 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 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).

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, liabilities for cash-settled share-based payments and defined benefit pension plan assets.

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.

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.

Notes to the Company financial statements continued
for the year ended 31 March 2024

33 Basis of preparation for the Company continued
Accounting policies for the Company continued
b) Leases continued
As a lessee continued
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 tangible fixed assets. Land is not depreciated. The estimated useful lives are between three and twelve years.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

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.

Notes to the Company financial statements continued

for the year ended 31 March 2024

33 Basis of preparation for the Company continued

Accounting policies for the Company continued

f) Employee benefits continued

Defined benefit plans continued

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 payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Further disclosure in relation to share-based payments is given in note 25 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.

k) Provisions

A provision is recognised in the balance sheet when the Company 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.

Notes to the Company financial statements continued

for the year ended 31 March 2024

34 Personnel

The average number of employees in the year was 19 (2023: 20). All employees are based in the United Kingdom and are employed by the plc company.

35 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2023	141	231	372
Additions	**–**	**166**	**166**
Balance at 31 March 2024	**141**	**397**	**538**
Depreciation and impairment losses			
Balance at 31 March 2023	54	193	247
Depreciation charge	**32**	**60**	**92**
Balance at 31 March 2024	**86**	**253**	**339**
Carrying amounts			
At 31 March 2023	87	38	125
At 31 March 2024	**55**	**144**	**199**

Notes to the Company financial statements continued

for the year ended 31 March 2024

36 Intangible fixed assets

	Computer software £000
Cost	
Balance at 31 March 2023	1,205
Additions	**95**
Balance at 31 March 2024	**1,300**
Amortisation and impairment losses	
Balance at 31 March 2023	1,140
Amortisation charge	**71**
Balance at 31 March 2024	**1,211**
Carrying amounts	
At 31 March 2023	65
At 31 March 2024	**89**

37 Investments in subsidiary undertakings

	Shares in Group undertakings £000
Cost	
Balance at 31 March 2023	150,117
Balance at 31 March 2024	**150,117**
Provisions	
Balance at 31 March 2023	66,600
Impairment	**6,000**
Balance at 31 March 2024	**72,600**
Net book value	
At 31 March 2023	83,517
At 31 March 2024	**77,517**

Value in use models are used to assess the recoverable amount of investments in the material trading subsidiaries.

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 1.5% and 4.3% (2023: 2.0% and 4.1%) depending upon the market served. The cash flows are discounted at a weighted average pre-tax rate of between 14.4% and 22.1% (2023: 9.3% and 10.4%). The discount 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.

The restructuring of a major customer of the CTP India entity, resulting in de-stocking and the development of a new business plan, means that as at 31 March 2024, the investment value that the Company holds in the CTP India entity exceeds the recoverable amount calculated; as such, an impairment of £6.0m has been recognised. The key assumptions in this particular model were cash flow projections covering a three-year period and discount rates. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 4.3%. The cash flows were discounted at a pre-tax rate of 22.1%; discount rates are calculated and reviewed annually and are based on the Company's weighted average cost of capital. Changes in income and expenditure are based on expectations of future changes in the market.

Sufficient headroom between recoverable amount and net book value of all other investments in subsidiary undertakings 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 31 to the Group financial statements.

38 Debtors

	2024 £000	2023 £000
Debtors – amounts falling due within one year:		
Amounts owed by Group undertakings	**57,308**	72,964
Other debtors	**155**	268
Prepayments and accrued income	**1,042**	220
	58,505	73,452
Debtors – amounts falling due after more than one year:		
Amounts owed by Group undertakings	**214**	220

Amounts owed by Group undertakings which fall due within one year are primarily non-interest bearing and repayable on demand.

Amounts owed by Group undertakings are presented after provision for credit risk.

Notes to the Company financial statements continued

for the year ended 31 March 2024

39 Provisions

	2024 £000	2023 £000
Provisions at the start of the year	302	–
Provision established in the period	12	302
Provisions used in the period	(6)	–
Provision released in the period	(295)	–
Provisions at the end of the year	12	302
Current	12	302

Provision was made in the year to 31 March 2023 for legacy health-related claims which were classified as exceptional in the income statement. The outcome was determined in the current period, resulting in the release of the provision, less costs, back to exceptional items as a credit. During the year to 31 March 2024, provision has been made for a new claim; external advice has been sought.

40 Trade and other creditors – amounts falling due within one year

	2024 £000	2023 £000
Bank overdrafts	4,479	6,534
Trade creditors	574	395
Taxation and social security	64	80
Lease liabilities	88	33
Other creditors	11	16
Accruals and deferred income	1,255	1,143
Amounts owed to Group undertakings	107,557	106,169
Bank loans	2,299	1,223
Other loans	9	43
	116,336	115,636

The UK Group companies are part of a multi-currency net overdraft facility with a £nil net limit and a £12.5m gross limit. The overdrafts bear interest at between 2.0% and 4.5% above prevailing UK bank base rates. At 31 March 2024, Carclo plc's overdraft of £4.5m (2023: £6.5m) has been recognised within cash and cash deposits when consolidated due to a right of set-off within the net overdraft facility.

Bank loans include £24.0m (2023: £32.5m) 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.

Additional security is granted by the Company to the bank such that at 31 March 2024, the gross value of the Company's assets secured amounted to £143.1m (2023: £158.1m).

Amounts owed to Group undertakings which fall due within one year are non-interest bearing and repayable on demand.

41 Creditors – amounts falling due after more than one year

	2024 £000	2023 £000
Bank loans	21,683	31,227
Other loans	53	9
Amounts owed to Group undertakings	7,904	6,607
Lease liabilities	92	62
	29,732	37,905

Amounts owed to Group undertakings which fall due after more than one year bear interest at market interest rates.

Notes to the Company financial statements continued

for the year ended 31 March 2024

42 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 £000	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000
Revaluation of property	**283**	283	**–**	–	**283**	283
Deferred tax assets	**283**	283	**–**	–	**283**	283

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

	2024 £000	2023 £000
Tax losses – trading	**5,328**	5,531
Tax losses – capital	**52**	52
Tax losses – non-trading	**772**	551
Short-term timing differences	**460**	–
Employee benefits	**9,298**	8,624
Tangible fixed assets	**146**	142
	16,056	14,900

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse in the foreseeable future. The nature of the tax regimes in certain regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain; this was not the case at 31 March 2024. Similarly, non-trading losses will only be utilised against future non-trading profits. No such non-trading profits are foreseen at 31 March 2024.

The tax losses at 31 March 2024 are available to carry forward without time restriction.

Notes to the Company financial statements continued
for the year ended 31 March 2024

42 Deferred tax assets and liabilities continued
Movement in deferred tax during the year:

	Balance as at 1 April 2023 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 March 2024 £000**
Revaluation of property	283	**–**	**–**	**283**
	283	**–**	**–**	**283**

Movement in deferred tax during the prior year:

	Balance as at 1 April 2022 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 March 2023 £000
Tax losses	669	(669)	–	–
Revaluation of property	283	–	–	283
	952	(669)	–	283

43 Pension liability
The Group operates a defined benefit UK pension scheme which provides pensions based on service and final pay.

The Company was the sponsoring employer throughout the current and prior period and full disclosures in respect of the plan are given in note 22 of the Group financial statements. Additional security is granted by the Company to the Scheme trustees such that, at 31 March 2024, the gross value of the Company's assets secured amounted to £143.1m (2023: £158.1m).

44 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 2024, the plan held 3,077 shares (2023: 3,077 shares). The original cost of these shares was £0.003m (2023: £0.003m). The cost of the shares was charged against the profit and loss account.

Notes to the Company financial statements continued

for the year ended 31 March 2024

45 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 2024 was £nil (2023: £nil).

46 Profit and loss account

The loss after tax for the year dealt with in the accounts of the Company amounts to £13.6m (2023: £15.8m loss) which, after dividends of £nil (2023: £nil), gives a retained loss for the year of £13.6m (2023: £15.8m loss).

47 Related parties

The Company has a related party relationship with its subsidiaries (see note 31), 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 64% dormant subsidiary Platform Diagnostics Limited.

Transactions with related parties are set out in note 30 of the Group financial statements.

In addition to this:

- interest payable to Group companies during the period was £0.8m (2023: £0.5m) and interest receivable from Group companies during the period was £nil (2023: £0.1m);
- royalties receivable from Group companies during the period totalled £1.6m (2023: £1.8m);
- management fee income receivable from Group companies during the period totalled £1.1m (2023: £1.1m); and
- dividends were received from Group companies during the period totalling £1.5m (2023: £0.8m).

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 76.

48 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 being able to continue to operate within its available facilities and in accordance with its covenants for at least twelve months from the date of signing these financial statements. Judgement has been applied over forecast profit and costs, debt levels and interest rates, particularly base rates. This determines whether the Company should operate the going concern basis of preparation for these financial statements.

Notes to the Company financial statements continued

for the year ended 31 March 2024

48 Accounting estimates and judgements continued

Pension assumptions

Note 22 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. The pension liability at 31 March 2024 amounts to £37.2m (2023: £34.5m).

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 22.

In the year to 31 March 2022 and the year to 31 March 2021, the Scheme introduced a right for members to Pension Increase Exchange ("PIE") and a Bridging Pension Option respectively. Having taken actuarial advice, management exercised judgement that, for each, 40% of members would take the options at retirement. There is no change to either assumption in the current year. Any change in estimate would be recognised as remeasurement gains/(losses) through the consolidated statement of comprehensive income.

Valuation of investments in subsidiary undertakings

Note 37 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 37, 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 discount rate 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 42 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, £nil deferred tax assets have been recognised for tax losses at the period end (2023: £nil).

Classification and recoverability of amounts due from Group undertakings

Note 40 presents amounts due from Group undertakings falling due within one year and after more than one year.

Key judgements

Management has applied judgement when classifying amounts due from Group undertakings. Those presented as falling due within one year are primarily non-interest bearing and are repayable on demand. Receivable balances with other Group entities are reviewed for potential impairment based on the ability of the counterparty to meet its obligations. No impairment losses were recognised in the year.

Information for shareholders

(a) Reconciliation of non-GAAP financial measures

Continuing operations:	Notes	2024 £000	2023 £000
Statutory loss after tax		**(3,299)**	(3,957)
(Less)/add back: Income tax (credit)/expense	10	**(498)**	1,437
Loss before tax		**(3,797)**	(2,520)
Add back: Net financing charge	9	**5,587**	3,749
Operating profit		**1,790**	1,229
Add back: Exceptional items	8	**4,857**	4,710
Underlying operating profit		**6,647**	5,939
Add back: Amortisation of intangible assets	13	**163**	211
Underlying earnings before interest, tax and amortisation ("EBITA")		**6,810**	6,150
Add back: Depreciation of property, plant and equipment	14	**7,769**	7,815
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA")		**14,579**	13,965
Loss before tax		**(3,797)**	(2,520)
Add back: Exceptional items	8	**4,857**	4,710
Underlying profit before tax		**1,060**	2,190
Income tax (credit)/expense	10	**(498)**	1,437
Add back: Exceptional tax credit		**743**	491
Group underlying tax expense		**245**	1,928
Group statutory effective tax rate		**13.1%**	(57.0)%
Group underlying effective tax rate		**23.1%**	88.0%

Information for shareholders continued

(a) Reconciliation of non-GAAP financial measures continued

Continuing operations:	Notes	2024 £000	2023 £000
Cash at bank and in hand	18	**5,974**	10,354
Loans and borrowings – current	20	**(6,753)**	(5,046)
Loans and borrowings – non-current	20	**(28,678)**	(39,668)
Net debt		**(29,457)**	(34,360)
Add back: Lease liabilities	20	**11,167**	11,870
Net debt excluding lease liabilities		**(18,290)**	(22,490)

A reconciliation between the Group's loss to underlying profit used in the numerator to calculate underlying earnings per share can be found in note 11 and in the five-year summary.

(b) Share price information

Share price information can be found on the internet at **www.carclo-plc.com**

(c) Further information on Carclo plc

Further information on Carclo plc can be found on the internet at **www.carclo-plc.com**

Five year summary

	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000
Group total:					
Revenue	**132,672**	143,445	128,576	107,564	146,288
Underlying operating profit[1]	**6,647**	5,939	6,096	4,840	4,365
COVID-19-related US government grant income	**–**	–	2,087	–	–
Operating profit before exceptional items	**6,647**	5,939	8,183	4,840	4,365
Exceptional items	**(4,857)**	(4,710)	721	4,438	(8,779)
Operating profit/(loss)	**1,790**	1,229	8,904	9,278	(4,414)
Net financing charge	**(5,587)**	(3,749)	(2,989)	(2,659)	(2,585)
(Loss)/profit before tax	**(3,797)**	(2,520)	5,915	6,619	(6,999)
Income tax credit/(expense)	**498**	(1,437)	(809)	(457)	(1,449)
(Loss)/profit after tax but before loss on disposal of discontinued operations	**(3,299)**	(3,957)	5,106	6,162	(8,448)
Underlying operating profit[1]	**6,647**	5,939	6,096	4,840	4,365
Add back: Amortisation of intangible assets	**163**	211	203	206	172
Underlying earnings before interest, tax and amortisation ("EBITA")[1]	**6,810**	6,150	6,299	5,046	4,537
Add back: Depreciation of property, plant and equipment	**7,769**	7,815	6,825	5,774	6,765
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA")[1]	**14,579**	13,965	13,124	10,820	11,302
Continuing operations:					
Revenue	**132,672**	143,445	128,576	107,564	110,506
Underlying operating profit[1]	**6,647**	5,939	6,096	4,840	7,313
COVID-19-related US government grant income	**–**	–	2,087	–	–
Operating profit before exceptional items	**6,647**	5,939	8,183	4,840	7,313
Exceptional items	**(4,857)**	(4,710)	721	4,490	(5,470)
Operating profit	**1,790**	1,229	8,904	9,330	1,843
Net financing charge	**(5,587)**	(3,749)	(2,989)	(2,659)	(2,388)
(Loss)/profit before tax	**(3,797)**	(2,520)	5,915	6,671	(545)

1. See the glossary on page 167.

Five year summary continued

	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000
Underlying operating profit from continuing operations[1]	**6,647**	5,939	6,096	4,840	7,313
Add back: Amortisation of intangible assets from continuing operations	**163**	211	203	206	172
Underlying earnings before interest, tax and amortisation ("EBITA") from continuing operations[1]	**6,810**	6,150	6,299	5,046	7,485
Add back: Depreciation of property, plant and equipment from continuing operations	**7,769**	7,815	6,825	5,774	5,951
Underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") from continuing operations[1]	**14,579**	13,965	13,124	10,820	13,436

	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000
Return on revenue (underlying operating profit margin)[1]	**5.0%**	4.1%	4.7%	4.5%	3.0%
Return on revenue (underlying operating profit margin) from continuing operations[1]	**5.0%**	4.1%	4.7%	4.5%	6.6%
Return on revenue (underlying EBITA margin)	**5.1%**	4.3%	4.9%	4.7%	3.1%
Return on revenue (underlying EBITA margin) from continuing operations	**5.1%**	4.3%	4.9%	4.7%	6.8%
Effective tax rate	**13.1%**	(57.0)%	12.2%	5.8%	(14.6)%
Underlying effective tax rate[1]	**23.1%**	88.0%	26.0%	21.0%	27.8%
(Loss)/earnings per share[2]	**(4.5)p**	(5.4)p	7.9p	10.1p	(15.5)p
Underlying earnings per share[3]	**1.1p**	0.4p	3.1p	2.4p	0.4p
Net debt	**(29,457)**	(34,360)	(32,405)	(27,596)	(27,357)
Capital employed (equity + net debt)	**33,117**	45,966	56,821	35,507	36,088
Average capital employed (equity + net debt)	**39,542**	51,394	46,164	35,798	43,418
Return on capital employed[4]	**13.1%**	9.7%	9.6%	8.8%	13.1%
Capital expenditure as a multiple of depreciation	**1.0x**	0.7x	1.4x	1.8x	1.5x
Average number of employees in year	**1,059**	1,116	1,062	1,048	1,475

1. Underlying is defined in the glossary on page 167.
2. (Loss)/earnings 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 per share is calculated based on profit after tax, attributable to equity holders of the parent company, including discontinued operations and is before exceptional and separately disclosed items.
4. Underlying operating profit for the Group as a percentage of assets employed, defined as working capital plus tangible assets.

Glossary

Cash conversion rate
Cash generated from operations divided by EBITDA as defined below

Compound annual growth rate ("CAGR")
The geometric progression ratio that provides a constant rate of return over a time period

Constant currency
Prior year translated at the current year's average exchange rate. Included to explain the effect of changing exchange rates during volatile times to assist the reader's understanding

EBIT
Profit before interest and tax

EBITDA
Profit before interest, tax, depreciation and amortisation

Fixed asset utilisation ratio
Revenue from continuing operations divided by tangible fixed assets

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 cash flow
Cash generated from operations, add back pension contributions net of pension administration costs and cash from exceptional items, less total capex and net interest paid

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

Net debt to underlying EBITDA ratio
Ratio of net debt as defined above to underlying EBITDA as defined left

Operational gearing
Ratio of fixed overheads to revenue

Return on capital employed ("ROCE")
Underlying operating profit for the Group as a percentage of assets employed, defined as working capital plus tangible assets

Return on sales
Underlying operating profit, as defined right, from continuing operations, as a percentage of revenue from continuing operations

Underlying
Adjusted to exclude all exceptional items

Underlying EBIT
Profit before interest and tax, adjusted to exclude all exceptional items

Underlying EBITDA
Profit before interest, tax, depreciation and amortisation adjusted to exclude all exceptional items

Underlying earnings per share
Earnings per share adjusted to exclude all exceptional items

Underlying operating profit
Operating profit adjusted to exclude all exceptional items

Underlying profit before tax
Profit before tax adjusted to exclude all exceptional items

Company and shareholder information

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) 371 384 2249. Lines are open between 8.30am and 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.

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Financial calendar

Annual General Meeting	5 September 2024
Interim results for half year ending 30 September 2024	November 2024
Preliminary results for year ending 31 March 2025	June/July 2025
Annual report for year ending 31 March 2025	mailed July 2025
Annual General Meeting	August/September 2025

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