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Carclo plc

("Carclo" or the "Group")

Unaudited Preliminary Results for the year ended 31 March 2023

Carclo plc, a preferred and trusted partner of global customers, providing high-precision critical components to the life sciences, aerospace, specialised optics, and technology industries, announces its results for the financial year ended 31 March 2023 ("FY22/23").

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

	Year ended 31 March 2023	Year ended 31 March 2022
	£000	£000
Continuing operations		
Revenue	**143,445**	128,576
Underlying operating profit	**5,939**	6,096
Exceptional items	**(4,710)**	721
Covid-19 related US government grant income	**-**	2,087
Operating profit	**1,229**	8,904
Discontinued operations		
Profit on discontinued operations, net of tax	**-**	693
Underlying earnings per share – basic – continuing operations	**0.4p**	3.1p
Basic earnings per share – continuing operations	**(5.4)p**	7.0p
Net debt excluding lease liabilities	**22,490**	21,535
Net debt	**34,360**	32,405
IAS 19 retirement benefit liability	**34,493**	25,979

Continuing operations

Revenue		
CTP	136,814	123,869
Aerospace	6,631	4,707
Total	**143,445**	**128,576**
Underlying operating profit		
CTP	7,321	8,393
Aerospace	1,520	677
Central	(2,902)	(2,974)
Total	**5,939**	**6,096**

Financial performance:

A shift in strategy prioritising operational performance improvement and increased cash generation against a backdrop of high inflation and rising interest rates.

- Revenue from continuing operations increased by 11.6% (3.8% at constant currency) to £143.4 million (FY21/22: £128.6 million).
- Underlying operating profit from continuing operations £5.9 million (FY21/22: £6.1 million).
- Cash generated from operations was £7.8 million (FY21/22: £6.8 million).
- Statutory operating profit from continuing operations £1.2 million (FY21/22: £8.9 million including £2.1 million one-off credit arising from the forgiveness of US government Covid-19 support loans).
- Net exceptional cost in the year of £4.7 million (FY21/22: £0.7 million gain), reflects £3.4 million rationalisation costs, £0.9 million costs arising from cancellation of future supply agreement, £0.9 million doubtful debt and related inventory provision, £0.3 million costs in respect to legacy claims, partially offset by a £0.8 million gain on disposal of surplus properties.
- Net debt of £34.4 million (31 March 2022: £32.4 million), £1.5 million of the increase is explained by movements in foreign exchange. After increasing in H1, adjusting for currency effects, net debt reduced by £2.1 million during H2, reflecting the start of the delivery of the revised strategy.

Strategic highlights:

- Fortifying our financial position for long-term success – Optimising resources, enhancing cash flow, and fuelling long-term success.
- Factory specialisation and standardisation – Driving operational excellence for enhanced efficiency and satisfaction.
- Organic growth through strategic partners – Strengthening relationships for mutual success.
- Embracing sustainability for a greener future – Innovating, reducing waste and driving positive environmental impact.
- Empowering unity, driving breakthroughs – Harnessing the power of collaboration, diversity and common purpose to redefine industry standards.

Sustainability highlights:

- Leading the way in sustainability – Launching of a worldwide initiative “Project Zelda” (Carclo’s landmark sustainability initiative) to harness our power to reduce waste, increase energy efficiency and contribute to a greener, more sustainable world and create a positive societal ripple effect via local community involvement.
- Strengthening supply chain sustainability – Uniting with EcoVadis to prioritise sustainability, foster eco-friendly supply chain practices and drive positive environmental change.
- Engaging communities, creating lasting social value – Investing in local communities, fostering social inclusion and supporting initiatives that contribute to long-term societal well-being.

Commenting on the results, Frank Doorenbosch, Chief Executive Officer said: "*This year has undoubtedly presented Carclo with its fair share of challenges, testing our mettle and resilience. However, I am proud to say that we have risen above these obstacles and proven our ability to adapt and thrive in a dynamic and evolving business landscape. Despite the headwinds of inflation, rising interest rates, and other economic challenges, our unwavering commitment to excellence has enabled us to achieve a slight increase in revenue, reaching £143.4 million, an increase of 11.6% on the prior year and 3.8% at a constant currency rate.*

Our success can be attributed to our strategic approach, which includes agile pricing adjustments to mitigate the impact of inflation and energy surcharges. Furthermore, our commitment to operational excellence has been exemplified through the implementation of factory specialisation measures, allowing us to enhance efficiency, streamline processes, and optimise our performance across our diverse range of offerings, including Design & Engineering and Manufacturing Solutions.

In addition to navigating economic challenges, we have proactively addressed debt positions, rationalisation costs, and legacy issues, such as the successful settlement of the cancellation of a supply contracted framework agreement. Our improvement in cash conversion underscores our financial resilience and highlights the effectiveness of our strategic initiatives in managing inflation impacts and energy costs.

Looking ahead, I am filled with confidence and optimism for Carclo's future. Our strategy, centered around factory specialisation, process standardisation, operational excellence, financial stability, and sustainability, positions us for continued success. I am immensely grateful to the exceptional Carclo team whose unwavering dedication and relentless pursuit of excellence have propelled us forward in this challenging year. Together, we will continue to achieve positive results and drive our ongoing success."

Further Information

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Forward-looking statements

Certain statements made in this annual report and accounts are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause outcomes to differ materially from those expected.

Alternative performance measures

Alternative performance measures are defined in the glossary on page 46. A reconciliation to statutory numbers is included on page 45. The Directors believe that alternative performance measures provide a more useful comparison of business trends and performance. The term "underlying" is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Chief Executive Officer Review

Introduction

As I look back on the past financial year, it is evident that Carclo encountered a range of external challenges that required us to be resilient and adaptable. Yet, we approach the future with unwavering optimism. Despite the obstacles we faced, we have embraced a strategic transformation, and we are already witnessing promising early signs of progress. Our steadfast strategy, supported by a revitalised leadership team, sets the stage for long-lasting success and sustainability.

The year in review

The past fiscal year presented us with numerous challenges, including rising debt costs, significant increases in input expenses, reduced demand for Covid-19 testing products and a tight labour market in key manufacturing locations. These hurdles prompted us to embark on a strategic transformation and reinforce our leadership team. As part of this transformative journey, we take pride in highlighting the increased diversity within our Board and senior executive team. We firmly acknowledge that diversity brings valuable fresh perspectives, fosters innovation and enhances decision-making.

Our strategic transformation focuses on operational excellence, robust financial health and the standardisation of processes and equipment to optimise asset utilisation, enhance efficiency and reduce complexity. We are energised and committed to deliver exceptional value to all stakeholders. Additionally, we are dedicated to sustainability, aiming to reduce waste and energy consumption while actively engaging with local communities. Despite the economic challenges we faced, our revenues demonstrated resilience, increasing 3.8% at constant currency. This growth can be attributed to our successful collaboration on growth projects with our strategic customers. However, our margins, particularly in the CTP division, were impacted by time delay of passing on higher input costs. In addition, we absorbed some of these costs to uphold our commitment to our valued customers.

Encouragingly, we are beginning to witness the positive outcomes of our strategic actions, particularly within our EMEA manufacturing solutions business. This has resulted in stronger margins in the latter half of the year. The final quarter of FY22/23 revealed promising results from our new strategy where our EMEA manufacturing platform showcased improved operational performance in the second half of FY22/23, with higher asset utilisation and increased cash generation. These positive developments underline the effectiveness of our strategic approach.

Although our overall underlying operating profit performance for the year amounted to £5.9 million, which was lower than the previous year's figure (FY21/22: £6.1 million), it is important to note that these results were achieved within a demanding economic climate. Despite the challenges, we remained focused on profitability and positioning the company for future growth.

The restructuring costs associated with our strategic shift were substantial but necessary for the long-term sustainability of our business. While we faced these challenges, we managed to improve our cash conversion rate from 42.6% in FY21/22 to 84.0% in FY22/23. As a result, our net debt at the end of the year remained relatively stable, compared to the previous year-end, considering constant currency factors. This achievement is particularly commendable given our ongoing commitments to bank interest, pension contributions, and growth capital expenditures.

I am delighted to report that the implementation of our new strategy and our focused efforts on cash generation yielded positive results. We were able to generate robust operational cash in the second half of the year, which significantly improved our position compared to the figures as of 30 September 2022. Since March 31, 2023, we have repaid £3.7 million of term loans ahead of schedule and reduced our RCF balance from £3.5 million to £2 million, leaving £1.5 million undrawn as of the end of June 2023.

These achievements underscore our dedication to strengthening our financial position and maintaining a solid foundation for future growth. Despite the challenges we faced, our commitment to effective financial management and cash generation strategies has paid off, positioning us favourably as we move forward.

Strategy

Recognising the shifting dynamics of our business environment, we have undertaken a rigorous strategic review. The result is a renewed blueprint for Carclo's future, one that is flexible, robust and aligned with our mission.

At the heart of our strategy lies an uncompromising commitment to the safety and well-being of our workforce, customers and communities. We firmly believe that our success is underpinned by the health and prosperity of all our stakeholders. Hence, protecting and fostering this is not just a priority, it's woven into our operational DNA.

Recognising the evolving dynamics in our business environment, the core of our strategy is anchored on operational excellence and robust financial health. Central to our tactical blueprint is the group-wide standardisation of our processes and equipment, an initiative aimed at optimising asset utilisation, enhancing efficiency, and reducing the cost of complexity.

In the short term, our focus is on achieving stability and maximising return from our existing resources. To that end, we are instituting stringent asset management practices including meticulous tracking, optimised deployment, and regular performance reviews, coupled with an investment in cost-efficient technologies and process improvements. By simplifying operations, we are effectively reducing the cost of complexity, increasing our agility and responsiveness.

In parallel, we're fostering an ethos of knowledge-sharing and cross-functional collaboration to disseminate and implement best practices throughout the organisation. This strategic blend of resource maximisation, process standardisation, and collective learning not only drives up operational performance and reduces costs, but also enhances employee and customer satisfaction through the consistent and reliable delivery of high-quality products and services.

Our new direction includes a keen focus on product and factory specialisation, allowing each of our facilities to hone in on their unique strengths and minimise the cost of complexity. This approach sharpens our focus, ramps up efficiency, and elevates performance, thereby ensuring we deliver seamlessly to our global clientele across the entire gamut of our offerings – Design & Engineering and Manufacturing Solutions.

Our long-run facilities are 100% geared towards process optimisation and integrating advanced back-end automation, thereby enhancing throughput and quality. On the other hand, our medium-run facilities are tasked with increasing their agility, efficiently managing changeovers between runs and developing flexible automation systems to ensure continuity and productivity. The first region where we have completed the factory specialisation is EMEA, where the strategy is delivering the expected results. The next region we are addressing is the USA, albeit with different dynamics, where the focus will allow us to build a winning model.

We are keen to shape Carclo into an engaging organisation with high energy drive, committed to high quality execution, when precision matters. To be ready to meet the evolving demands of our customers and the marketplace. Our strategy includes diversifying our portfolio whilst aiming for steady top-line growth.

We are committed to fortifying our balance sheet and decreasing our debt, with an emphasis on cash generation, prudent management of working capital and enhancing equipment utilisation. We are channelling our capital investments towards measures that improve safety, efficiency, yield and quality. Through enhanced project flexibility, leveraging on our well invested but underutilised machine park we will deliver growth.

When it comes to pricing, we are not racing to the bottom. Instead, we are committed to delivering exceptional value, underpinned by the high-quality and comprehensive support we offer.

Our team forms the heart of Carclo, their growth being a cornerstone of our strategy. We're prioritising investments in their professional enhancement, creating dedicated Educational and Excellence Centres regionally. This initiative empowers our engineers with robust training and skills development programs, propelling process enhancements, automation advancements, and innovative product line creation. We believe that nurturing their talents and fostering a culture of innovation will be pivotal to our collective success.

As part of our commitment to sustainability, we've launched our worldwide initiative, "Zelda". Its primary objectives are to reduce waste sent to recycling by 50% within two years and decrease energy consumption per unit of production by 15% over three years through energy optimisation. Moreover, we are devoted to creating a positive societal ripple effect via local community involvement.

We believe in being candid about our sustainability journey, and will consistently share updates on our achievements, challenges, and milestones.

Divisional performance

CTP Division

We have divided our CTP division into two separate businesses. Our Design & Engineering business is responsible for handling global customer development projects, while our Manufacturing Solutions business comprises our worldwide network of facilities, specialising in a comprehensive range of manufacturing services, encompassing injection moulding, assembly and supply chain solutions. Our CTP division has undertaken a substantial restructuring effort in the EMEA region to better align with customer needs and successfully navigate challenges such as rising input costs and labour shortages. The execution of our strategy, which includes standardising machines, processes, and global quality standards, coupled with clear factory specialisation, has revitalised our operational results in the region. We are now focused on implementing these strategies in the US region to further strengthen our position.

Through an unwavering commitment to operational excellence and a customer-centric approach, we are dedicated to achieving sustained profitability and creating long-term value. These principles guide our actions as we strive to exceed customer expectations, drive efficiency, and optimise our performance. By aligning our operations with customer needs and consistently delivering exceptional products and services, we aim to re-establish Carclo as a trusted industry leader and maximise value for our stakeholders.

Design & Engineering (D&E):

In FY22/23, our Design & Engineering (D&E) business demonstrated robust revenue performance, generating total revenues of £20.1 million. While sales were lower compared to last year's exceptional figures, they remained significantly higher than the average of the previous three years. This reflects the strength of our ongoing focus on the life sciences sector and strategic partnerships with existing customers.

By maintaining this strategic direction, we built a strong order book by the end of the year, positioning us favourably for continued success in the future. This is a testament to our ability to deliver value-added solutions and meet the evolving demands of our clients.

To further augment our capabilities and support our technical talent, we are establishing a state-of-the-art training facility at our Roseytown location in Pennsylvania. This facility serves as a dedicated space not only for validation purposes but, more importantly, for in-house training on manufacturing lines, mould technology, and material behaviour. It enables our team to continually refine their skills and expertise, empowering them to consistently deliver best-in-class solutions to our valued clients. This investment in our team's development reinforces our commitment to excellence and ensures that we stay at the forefront of innovation in the industry.

Manufacturing Solutions (MS):

Our Manufacturing Solutions (MS) business serves as our global manufacturing and assembly platform, strategically divided into three regions: Americas, EMEA, and APAC. We have embarked on a focused journey of factory specialisation, emphasising operational excellence and minimising the complexities that arise in manufacturing processes.

In the first phase of our EMEA strategic reset, we are already witnessing the potential of our manufacturing platform through enhanced operational efficiency, increased asset utilisation, and improved labour efficiency. These early successes reinforce our confidence in the effectiveness of our strategic approach. In the Americas, our leadership team faces challenges posed by input cost increases and labour shortages. Addressing these challenges remains our team's primary focus, and we are intensifying our efforts to execute the strategic positioning and factory specialisation of our US manufacturing platform.

Despite the hurdles faced, the MS business achieved modest revenue growth in FY22/23 at constant currency. Our revenues increased to £116.7 million (£104.9 million at constant currency). This growth was primarily driven by customer price increases that offset inflationary pressures and higher energy costs. By diligently managing these factors, we were able to maintain a positive revenue trajectory while navigating a challenging market environment.

Through our steadfast commitment to operational excellence and strategic focus on factory specialisation, we are confident in our ability to enhance our MS business' performance, drive efficiencies, and maximize value for our stakeholders.

Aerospace Division

The Aerospace division has demonstrated a remarkable improvement in profit performance year-on-year, benefiting from the post-Covid-19 market recovery. Our revenue experienced impressive growth, reaching £6.6 million in the current fiscal year compared to £4.7 million in FY21/22, representing a substantial increase of 40.9%. This resurgence in the Aerospace Division's performance is highly encouraging, highlighting our ability to adapt and thrive in evolving market conditions.

While our progress in the Aerospace Division is noteworthy, we did experience some challenges in our cash conversion rate due to constraints within the supply chain of specialised metals. However, our commitment to delivering high-quality products and services remains unwavering, positioning us for continued success and growth in the aviation industry.

With the aviation sector on an upswing, we are well-positioned to leverage this positive momentum. Our dedication to excellence, combined with our relentless focus on meeting customer expectations, enables us to capitalise on the opportunities that lie ahead. As we navigate challenges and pursue opportunities, we remain committed to maintaining our reputation as a trusted provider of superior products and services in the aerospace market.

Financing

Given the impact of rising interest rates and the high inflationary environment, we have worked closely with our lending bank to secure appropriate ongoing financial support for the business. We are pleased that we continue to be supported by the bank who have agreed to a more appropriate set of covenants during the period whilst we revitalise the business and implement our new strategy. After receiving written confirmation from the bank we are now awaiting the formal documentation to be signed, which is expected to be completed before the publication of the Group's Annual Report and Accounts.

Sustainability and Corporate Responsibility

We have clearly defined our sustainability strategy in our worldwide initiative "Project Zelda". We are first addressing the major contributors to our ecological footprint, being raw material and electricity usage. The team is focused on delivering a sustainable improvement in reducing, reusing and upcycling the materials used within our production processes. Overall targets to be reached in two years are:

- A 50% reduction of materials we send to recycling.
- A 10% reduction of the amount of KwH per kilo of products sold.

We are enhancing our various community engagement initiatives, we have continued to invest in the growth and development of the regions in which we operate, creating opportunities for education, skill development, and employment.

Moving forward

The past year presented us with significant challenges, but it also marked a transformative period of renewed focus. We have implemented a new strategy, formed a new board, and established a diverse and dynamic leadership team, all fuelled by a high level of energy and unwavering commitment to our employees and customers. While there is still much work ahead, the early results from our new strategy are promising, instilling a sense of optimism and belief in a bright future.

Our positive outlook is supported by compelling evidence. We have successfully renegotiated our banking covenants, securing financial stability as we continue to implement our new strategic approach. Significant progress has been made in our Mitcham operations, further strengthening our confidence in the effectiveness of our initiatives. Furthermore, we have successfully reached a settlement agreement with the cancellation of a supply contract, reinforcing our ability to navigate challenges and capitalise on opportunities.

In conclusion, we acknowledge that FY22/23 presented its fair share of difficulties. However, we have already embarked on a new chapter and are turning the page towards a future brimming with possibilities. We have full confidence in our new strategy and leadership team, feeling that the best is yet to come. We extend our heartfelt appreciation to the staff at Carclo for their ongoing support during this transformative time. Together, we will navigate this transition and forge a path towards sustained success.

Frank Doorenbosch

Chief Executive Officer

11 July 2023

Finance review

Our new strategy places a greater emphasis on operational performance improvement and cash generation in response to the challenges posed by high inflation and rising interest costs.

As we reflect on the past fiscal year, it's heartening to see how our Group has navigated the economic landscape, delivering a robust 11.6% growth in revenue (£143.4 million), or a solid 3.8% at constant currency, up from £128.6 million in FY21/22. This demonstrates not only the resilience of the markets we serve, but also the strength and continuity of our key customer relationships.

Our underlying operating profit came in at £5.9 million, compared to £6.1 million (or £6.7 million at constant currency) in the previous year, resulting in a return on sales of 4.1%, down slightly from 4.7% last year. This shift in profitability was primarily influenced by escalating cost inflation, most notably a sharp increase in energy costs, and the challenge these pose in terms of timely pass-through to customers.

Exceptional net costs for the year amounted to £4.7 million, compared to £1.4 million gain in FY21/22. The majority of these costs, £3.4 million to be exact, were cash settled. These costs encompassed £3.4 million in rationalisation expenses, £0.9 million stemming from the termination of future supply agreements, £0.9 million in doubtful debt and associated inventory provision, and £0.3 million related to legacy health claims. These costs were partly offset by a gain of £0.8 million from the disposal of surplus properties.

Overall, the financial year proved to be challenging but also demonstrated the Group's resilience and adaptability. Moving forward, we continue to focus on our commitment to creating long-term shareholder value and maintaining the trust of our strategic customers.

Statutory operating profit is down £7.7 million on prior year to £1.2 million (FY21/22: £8.9 million).

During the year, we experienced an increase in net finance costs, primarily due to rising interest rates, which amounted to £3.7 million (FY21/22: £3.0 million). This figure includes notional pension deficit interest charged of £0.7 million (FY21/22: £0.7 million).

Taxation charge for the year was £1.4 million (FY21/22: £0.8 million). The FY21/22 taxation charge benefited from a deferred tax credit of £0.7 million, being the recognition of a deferred tax asset on the UK projected profits at the time. However, this year, we have seen the reversal of that deferred tax asset due to the effects of the restructuring plans.

Statutory loss/profit after tax was £4.0 million loss (FY21/22: £5.8 million profit) on all operations, and £4.0 million loss (FY21/22: £5.1 million profit) on continuing operations, giving a statutory loss per share on all operations of 5.4 pence (FY21/22: 7.9 pence profit), and 5.4 pence loss on continuing operations (FY21/22: 7.0 pence profit).

Underlying profit after tax fell to £0.3 million (FY21/22: £2.3 million), giving an underlying EPS of 0.4 pence (FY21/22: 3.1 pence), on underlying operating profit of £5.9 million, down 2.6% on prior year (FY21/22: £6.1 million).

Cash generated from operations was £7.8 million and 14.7% higher than the prior year (FY21/22: £6.8 million), 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 is a key contributor to cash performance. In addition, during the year a sale and leaseback raised £2.4 million after costs.

Cash generated by the Group was principally utilised to make capital investment and lease repayments, pension deficit repair contributions, scheduled bank loan repayments and interest payments. The Group's full cashflow statement is set out on page 18.

In recognition of the shift in strategic priorities we have refreshed the Group's key externally reported KPIs to those which we consider will best demonstrate the progress being made towards achieving our strategic goals. These are set out on pages 26 and 27 of the Annual Report and Accounts.

A reconciliation of statutory to underlying non-GAAP financial measures is provided on page 45.

Net debt

During the year, we redirected our investment in capital expenditure towards a rapid payback, focussing on our continuous improvement strategy aimed at supporting asset performance and utilisation. Tangible additions were £5.8 million (FY21/22: £9.7 million) mainly in support of major customer programmes. Of this investment, £3.5 million (FY21/22: £6.8 million) was delivered via leasing.

Net debt, including IFRS16 lease liabilities, increased in the year by £2.0 million to £34.4 million (FY21/22: £32.4 million). Of this increase £1.5 million was due to foreign currency movements. Net debt excluding leases increased £1.0 million to £22.5 million (FY21/22: £21.5 million). Following the shift in strategic focus, improvements in our cash generation have resulted in a reduction of net debt including lease liabilities during H2 of £2.5 million.

CTP division

CTP revenue of £136.8 million was up 10.5% (2.5% at constant currency) (FY21/22: £123.9 million) with underlying volumes broadly flat.

CTP divisional operating profit before exceptional items was £7.3 million, £1.1 million down on the prior year, excluding £2.1 million of non-recurring income in the form of a US government Covid-19 grant.

In the face of high cost inflation, particularly in labour and energy prices, our CTP division encountered significant hurdles. The tightened labour markets, predominantly in the US, imposed further complications in the recruitment and retention of labour. These challenges underline the rapidly changing economic conditions we find ourselves grappling with, and underscore the necessity of our ongoing strategic adaptations. Although there were delays in passing on the impact of inflation to customers, CTP made significant progress during H2 in implementing both temporary energy surcharges and permanent pricing increases, resulting in an improved margin performance, particularly in the final quarter of the year.

The Group was met with an unforeseen development in December 2022 when a prospective new global OEM customer informed us, following the completion of the design and engineering phase, due to a contraction in the end-market demand for Covid-19 testing, the customer decided to suspend progression into the production phase of the original ten-year Framework Agreement. However, we moved swiftly and strategically to mitigate potential financial implications. On 30 May 2023, we successfully signed a settlement agreement that effectively neutralises the Group's financial exposure arising from the premature termination of this contract. This settlement is a testament to our resilience and flexibility in navigating unexpected circumstances.

Furthermore, we were able to quickly pivot and rapidly implement a plan to repurpose the production capacity assigned to this project. The majority of the capital investments, inclusive of infrastructure such as buildings, clean rooms, and state-of-the-art equipment have been reallocated to enhance projects with existing strategic partners. We also signed a mutually satisfactory settlement agreement with the customer concerning working capital and recompense for business disruption.

There is a considerable potential to elevate CTP's operational performance even further, and we have taken steps to seize this opportunity. We've initiated fresh strategies designed to bolster both asset utilisation and our ability to meet customers' needs through factory specialisation. Our commitment to ceaseless improvement propels these initiatives, backed by the recent implementation of real-time operational data capture and reporting systems. This approach enables us to react more swiftly to developments, continuously refine our operations, and maintain our mission of delivering superior customer value.

Aerospace division

In the Aerospace sector, we saw an impressive uptick in revenue to £6.6 million, a surge of 40.9% (or 39.4% at constant currency), compared to £4.7 million in FY21/22. This marks a return to near pre-Covid-19 levels for this division, an accomplishment underpinned by strong operating profitability of £1.5 million for the year, more than doubling the prior year's £0.7 million. The market has demonstrated a robust recovery, and we have been agile in leveraging this momentum, securing increased order volumes predominantly from our existing customer base. Our strategy to strengthen and deepen relationships with these customers has evidently paid off, underlining the importance of customer retention in our overall growth plan.

Central costs

In terms of our overheads, we have seen a minor reduction in other Group and central underlying costs, which amounted to £2.9 million for this fiscal year, compared to £3.0 million in FY21/22. This slight decrease reflects our ongoing commitment to prudent cost management and operational efficiency. We will continue to seek ways to streamline our central expenses without compromising our quality of service we deliver to the business.

Total Group

Bank facilities

On 2 September 2022 the Group successfully refinanced the facilities with the Company's lender, concluding a first amendment and restatement agreement relating to the multicurrency term and revolving facilities agreement dated 14 August 2020.

As at 31 March 2023, total UK bank facilities were £32.8 million, of which £3.5 million related to a revolving credit facility (maturing on 30 June 2025) and £29.3 million in term loan facilities. £1.4 million of the term facility will be amortised by 31 March 2024 and a further £2.2 million by 31 March 2025. The balance becomes payable by the maturity date, 30 June 2025.

As previously reported at the half-year, increasing interest rates had limited the headroom on the Group's banking covenants, principally interest cover, which prompted the Group to seek an adjustment of its banking covenants to ensure sufficient funding.

Since then, we have worked closely with our bank, who have remained supportive throughout, and agreed to adjust the interest cover covenant at both the December 2022 and March 2023 testing points. As announced on 23 June 2023, we are pleased to confirm that we have now agreed on revised covenants covering the period to maturity at 30 June 2025, providing the required level of certainty over our funding.

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

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 a significantly reduced actuarial technical provisions deficit of £82.8 million (FY21/22: £90.4 million based upon the 31 March 2018 valuation).

The statutory accounting method of valuing the Group pension scheme deficit under IAS 19 resulted in an increase in the net liability to £34.5 million at 31 March 2023 (31 March 2022: £26.0 million).

Over the year, the Group’s contributions to the scheme were £4.1 million (FY21/22: £3.9 million).

During the year there was significant volatility in investment markets with bond and gilt yields spiking in the aftermath of the September 22 “mini budget”. The pension, which was maintaining an 80% liability hedge via Liability Driven Investments (“LDI”) and bond holdings, experienced a significant fall in the value of these assets, albeit less than the fall in the equivalent of the liabilities being hedged. Other scheme assets including property and global equity funds also experienced negative returns during the period with the resulting increase in the IAS 19 deficit.

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 as presented in 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 FY22/23 results, a 10% increase in the value of sterling against these currencies would have decreased reported profit before tax by £0.8 million.

Dividend

Given the restrictions on the payment of dividends contained within the amended and restated bank facilities agreement and the absence of distributable reserves required to make dividend payments, the Board is not recommending the payment of a dividend for the financial year FY22/23 (FY21/22: £nil). Under the terms of the restructuring agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending June 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 page 45.

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 FY22/23 is provided below:

£000	Statutory	Exceptional items	Underlying
CTP operating profit	4,569	(2,752)	7,321
Aerospace operating profit	1,520	-	1,520
Central costs	(4,860)	(1,958)	(2,902)
Group operating profit from continuing operations	1,229	(4,710)	5,939
Net finance expense	(3,749)	-	(3,749)
Group (loss) / profit before taxation from continuing operations	(2,520)	(4.710)	2,190
Taxation expense	(1,437)	-	(1,437)
Group (loss)/profit for the period from continuing operations	(3,957)	(4,710)	753
Profit on discontinued operations, net of tax	-	-	-
Group (loss) / profit for the period	**(3,957)**	**(4,710)**	**753**
Basic (loss) / profit per share (pence)	**(5.4)p**	**(5.8)p**	**0.4p**

The exceptional items comprise:

£000	Group [1]
Restructuring and rationalisation costs	(3,404)
Costs arising from cancellation of future customer supply agreement	(877)
Doubtful debt and related inventory provisions	(896)
Costs in respect to legacy health related claims	(302)
Profit on disposal of surplus property	769
Total exceptional items	**(4,710)**

[1]There were no exceptional items in respect to discontinued operations in the year to 31 March 2023.

Post balance sheet events and going concern
Post balance sheet events

Upon completion of the Design and Engineering phase of our supply contract, we received an unexpected notice from a leading global OEM customer in December 2022. Citing a decline in the end-market demand for Covid-19 testing, they chose not to advance into the project's production phase. However, by 30 May 2023, we reached a settlement agreement that largely mitigates the financial risk the Group faced due to the early termination of the contract. The Group has recognised an exceptional cost in the year to 31 March 2023 of £0.9 million, most of which is to recognise assets on balance sheet at recoverable amount, see note 6 for further details. The Group will recognise an exceptional gain in the income statement to 31 March 2024 of approximately £0.6 million. Although the details of the agreement remain confidential, full and final settlement was received on 21 June 2023.

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 due to mature on 30 June 2025. On 1 June 2023, a voluntary repayment of £0.4 million was made and on 30 June 2023, a further voluntary repayment of £3.3 million was made.

Going concern

The financial statements are prepared on the going concern basis.

Group performance during the year has enabled capital investment to be made whilst retaining a stable financial position with net debt excluding lease liabilities as of 31 March 2023 increasing to £22.5 million (31 March 2022: £21.5 million).

Net debt including lease liabilities at 31 March 2023 was £34.4 million (31 March 2022: £32.4 million), with the principal reason behind the increase being foreign exchange movements of £1.5 million.

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 and revolving facilities agreement dated 14 August 2020. The debt facilities available to the Group at 31 March 2023 comprise a term loan of £29.3 million, of which £1.4 million will be amortised by 31 March 2024 and a further £2.2 million amortised by 31 March 2025. The balance becomes payable by the termination date, 30 June 2025.

At 31 March 2023, the term loans were denominated as follows: sterling 14.2 million, US dollar 13.3 million and euro 4.9 million. The facility also includes a £3.5 million revolving credit facility, denominated in sterling, maturing on 30 June 2025.

Since the year-end there have been no significant changes to the Group's liquidity position. The term loan balances stood at sterling 10.2 million, US dollar 13.3 million and euro 4.9 million, totalling £27.0 million on 30 June 2023, with undrawn facilities of £1.5 million on the RCF.

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

- Underlying interest cover;
- Net debt to underlying EBITDA;
- Core subsidiary underlying EBITA; and
- 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.

Following a more than doubling of the base rate in the first half of FY22/23, the Group reassessed its forecasts and concluded there was insufficient headroom available to meet all the agreed banking covenants in the event of certain downside scenarios taking place. Breach of any of these covenants could lead to the creditors calling in their debt, leaving the plc insolvent. As a result, at the half year, in recognition of a potential covenant breach, the Group issued a material uncertainty warning over its ability to continue trading as a going concern.

Since that time the Group has worked with the bank to amend the covenants and agreed adjustments to the Group’s interest cover covenant for both the December 2022 and March 2023 testing points.

In December 2022 the Group announced the cancellation of a new business contract that would materially impact the results for FY22/23. Further discussions were held with the bank and, following a review of the Group’s 3-year plan up to March 2026, on 22 June the bank agreed in writing to the Group’s request to further amend the interest cover covenant to June 2025 and to an adjustment to the net debt to underlying EBITDA covenant to December 2023.

The revised banking covenants and thresholds are assumed to be in place throughout the going concern assessment period. However, there remains a material uncertainty over going concern until the formal documentation is signed, which is expected to be completed before the publication of the Group’s Annual Report and Accounts. A schedule of contributions is also in place with the pension trustees with an agreed £3.5 million to be paid annually until 31 October 2039. Additional contributions also agreed are 25% of any surplus of 2023/24 underlying EBITDA over £18 million payable from 30 June 2024 to 31 May 2025, extending to 26% of any 2024/25 surplus payable from 30 June 2025 to 31 May 2026.

In addition, the pension scheme has the benefit of a fifth covenant to be tested each year up to and including 2023. The test requires any shortfall of pension deficit recovery contributions when measured against Pension Protection Fund priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities), to be met by a combination of cash payments to the scheme, plus a notional (non-cash) proportion of the increase in the underlying value of the CTP and Aerospace segments based on an EBITDA multiple for those businesses which is determined annually. This test will be completed on the 31 March 2023 audited financial statements and management expect this covenant to be met.

The Group is subject to a number of key risks and uncertainties, as detailed in the Principal risks and uncertainties section in the Annual Report and Accounts. 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, at least twelve months from date of signing the 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 sales, 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 the Annual Report and Accounts.

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 3% matched by a corresponding fall in cost of sales of the same amount, and interest rate risk.

The Group is not exposed to vulnerable sectors or vulnerable countries but does have 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 in the annual report and accounts.

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.

David Bedford
Chief Financial Officer

11 July 2023

Consolidated income statement
for the year ended 31 March 2023

	Notes	**FY22/23 £000**		FY21/22 £000	
Continuing operations:					
Revenue	*4*	**143,445**		128,576	
Underlying operating profit		**5,939**		6,096	
Covid-19 related US government grant income	*7*	**-**		2,087	
Exceptional items	*6*	**(4,710)**		721	
Operating profit	*4*	**1,229**		8,904	
Finance revenue		**218**		77	
Finance expense	*8*	**(3,967)**		(3,066)	
(Loss) / profit before tax		**(2,520)**		5,915	
Income tax expense	*9*	**(1,437)**		(809)	
(Loss) / profit after tax but before profit on discontinued operations		**(3,957)**		5,106	
Discontinued operations:					
Profit on discontinued operations, net of tax	*5*	**-**		693	
(Loss) / profit for the period		**(3,957)**		5,799	
Attributable to:					
Equity holders of the Company		**(3,957)**		5,799	
Non-controlling interests		**-**		-	
		(3,957)		5,799	
(Loss) / Earnings per ordinary share	*10*				
Basic - continuing operations		**(5.4)**	**p**	7.0	p
Basic - discontinued operations		**-**	**p**	0.9	p
Basic		**(5.4)**	**p**	7.9	p
Diluted - continuing operations		**(5.4)**	**p**	6.9	p
Diluted - discontinued operations		**-**	**p**	0.9	p
Diluted		**(5.4)**	**p**	7.9	p

Consolidated statement of comprehensive income
for the year ended 31 March 2023

	FY22/23	FY21/22
	£000	£000
(Loss) / profit for the period	**(3,957)**	5,799
Other comprehensive (expense) / income		
Items that will not be reclassified to the income statement		
Remeasurement (losses) / gains on defined benefit scheme	**(10,577)**	8,480
Deferred tax arising	**-**	-
Total items that will not be reclassified to the income statement	**(10,577)**	8,480
Items that are or may in the future be classified to the income statement		
Foreign exchange translation differences	**1,129**	1,840
Net investment hedge	**818**	440
Deferred tax arising	**(190)**	(127)
Total items that are or may in the future be classified to the income statement	**1,757**	2,153
Other comprehensive (expense) / income, net of tax	**(8,820)**	10,633
Total comprehensive (expense) / income for the year	**(12,777)**	16,432
Attributable to -		
Equity holders of the Company	**(12,777)**	16,432
Non-controlling interests	**-**	-
Total comprehensive (expense) / income for the period	**(12,777)**	16,432

Consolidated statement of financial position
as at 31 March 2023

	Notes	**FY22/23 £000**	FY21/22 £000
Non-current assets			
Intangible assets	*12*	**23,463**	22,714
Property, plant and equipment	*13*	**45,321**	46,964
Deferred tax assets		**1,185**	1,403
Trade and other receivables		**-**	115
Total non-current assets		**69,969**	71,196
Current assets			
Inventories		**15,203**	16,987
Contract assets		**5,763**	7,700
Trade and other receivables		**21,383**	19,702
Cash and cash deposits		**10,354**	12,347
Non-current assets classified as held for sale	*14*	**-**	266
Total current assets		**52,703**	57,002
Total assets		**122,672**	128,198
Non-current liabilities			
Loans and borrowings	*15*	**39,668**	41,804
Deferred tax liabilities		**4,917**	4,878
Contract liabilities		**-**	3,099
Retirement benefit obligations	*16*	**34,493**	25,979
Total non-current liabilities		**79,078**	75,760
Current liabilities			
Loans and borrowings	*15*	**5,046**	2,948
Trade and other payables		**21,408**	21,062
Current tax liabilities		**372**	170
Contract liabilities		**4,689**	3,755
Provisions		**473**	87
Total current liabilities		**31,988**	28,022
Total liabilities		**111,066**	103,782
Net assets		**11,606**	24,416
Equity			
Ordinary share capital issued	*17*	**3,671**	3,671
Share premium		**7,359**	7,359
Translation reserve		**9,243**	7,486
Retained earnings		**(8,641)**	5,926
Total equity attributable to equity holders of the Company		**11,632**	24,442
Non-controlling interests		**(26)**	(26)
Total equity		**11,606**	24,416

Approved by the Board of Directors and signed on its behalf by

Frank Doorenbosch
11 July 2023

David Bedford
11 July 2023

Consolidated statement of changes in equity for the year ended 31 March 2023

	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 2021	3,671	7,359	5,333	(8,426)	7,937	(26)	7,911
Profit for the year	-	-	-	5,799	5,799	-	5,799
Other comprehensive income / (expense):							
Foreign exchange translation differences	-	-	1,840	-	1,840	-	1,840
Net investment hedge	-	-	440	-	440	-	440
Remeasurement gains on defined benefit scheme	-	-	-	8,480	8,480	-	8,480
Taxation on items above	-	-	(127)	-	(127)	-	(127)
Total comprehensive income for the period	-	-	2,153	14,279	16,432	-	16,432
Transactions with owners recorded directly in equity							
Share-based payments	-	-	-	73	73	-	73
Taxation on items recorded directly in equity	-	-	-	-	-	-	-
Balance at 31 March 2022	3,671	7,359	7,486	5,926	24,442	(26)	24,416
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) income:							
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**

Consolidated statement of cash flows
for the year ended 31 March 2023

	Notes	**FY22/23 £000**	FY21/22 £000
Cash generated from operations	*18*	**7,778**	6,780
Interest paid		**(2,955)**	(2,502)
Tax paid		**(1,051)**	(1,309)
Net cash from operating activities		**3,772**	2,969
Cash flows from / (used in) investing activities			
Proceeds from sale of business, net of cash disposed		**-**	693
Proceeds from sale of property, plant and equipment		**1,390**	20
Interest received		**218**	77
Purchase of property, plant and equipment		**(2,313)**	(4,804)
Purchase of intangible assets		**(104)**	(135)
Net cash used in investing activities		**(809)**	(4,149)
Cash flows from / (used in) financing activities			
Drawings on new and existing facilities		**359**	1,575
Refinancing costs		**(250)**	-
Proceeds from sale and leaseback of property, plant and equipment		**1,222**	1,410
Repayment of borrowings excluding lease liabilities		**(1,800)**	(2,282)
Repayment of other loan facilities		**(102)**	-
Repayment of lease liabilities		**(4,104)**	(3,196)
Net cash used in financing activities		**(4,675)**	(2,493)
Net decrease in cash and cash equivalents		**(1,712)**	(3,673)
Cash and cash equivalents at beginning of period		**12,347**	15,485
Effect of exchange rate fluctuations on cash held		**(281)**	535
Cash and cash equivalents at end of period		**10,354**	12,347
Cash and cash equivalents comprise:			
Cash and cash deposits		**10,354**	12,347
		10,354	12,347

Notes on the preliminary statement

1 Basis of preparation

The financial statements included in this preliminary announcement have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and the principles of UK-adopted international accounting standards, but do not comply with the full disclosure requirements of these standards. The financial information for the year ended 31 March 2022 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The financial information has been prepared on a going concern basis under the historic cost convention basis except that derivative financial instruments, share options and defined benefit pension plan assets are stated at their fair value.

The unaudited financial information contained in this announcement does not constitute the statutory financial statements of the Group as at and for the year ended 31 March 2023, but is derived from those financial statements, which have been prepared in accordance with UK-adopted international accounting standards. The financial statements themselves will be approved by the Board of Directors and reported on by the auditor and then subsequently delivered to the Registrar of Companies. The Group expects to publish full consolidated statements on or around 28 July 2023. Accordingly, the financial information for FY22/23 is presented as unaudited in this announcement.

The financial statements are prepared on the going concern basis.

Group performance during the year has enabled capital investment to be made whilst retaining a stable financial position with net debt excluding lease liabilities as of 31 March 2023 increasing to £22.5 million (31 March 2022: £21.5 million).

Net debt including lease liabilities at 31 March 2023 was £34.4 million (31 March 2022: £32.4 million), with the principal reason behind the increase being foreign exchange movements of £1.5 million.

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 and revolving facilities agreement dated 14 August 2020. The debt facilities available to the Group at 31 March 2023 comprise a term loan of £29.3 million, of which £1.4 million will be amortised by 31 March 2024 and a further £2.2 million amortised by 31 March 2025. The balance becomes payable by the termination date, 30 June 2025.

At 31 March 2023, the term loans were denominated as follows: sterling 14.2 million, US dollar 13.3 million and euro 4.9 million. The facility also includes a £3.5 million revolving credit facility, denominated in sterling, maturing on 30 June 2025.

Since the year-end there have been no significant changes to the Group's liquidity position. The term loan balances stood at sterling 10.2 million, US dollar 13.3 million and euro 4.9 million, totalling £27.0 million on 30 June 2023, with undrawn facilities of £1.5 million on the RCF.

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

- Underlying interest cover;
- Net debt to underlying EBITDA;
- Core subsidiary underlying EBITA; and
- 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.

Following a more than doubling of the base rate in the first half of FY22/23, the Group reassessed its forecasts and concluded there was insufficient headroom available to meet all the agreed banking covenants in the event of certain downside scenarios taking place. Breach of any of these covenants could lead to the creditors calling in their debt, leaving the plc insolvent. As a result, at the half year, in recognition of a potential covenant breach, the Group issued a material uncertainty warning over its ability to continue trading as a going concern.

Since that time the Group has worked with the bank to amend the covenants and agreed adjustments to the Group's interest cover covenant for both the December 2022 and March 2023 testing points.

In December 2022 the Group announced the cancellation of a new business contract that would materially impact the results for FY22/23. Further discussions were held with the bank and, following a review of the Group's 3-year plan up to March 2026, on 22 June the bank agreed to the Group's request to further amend the interest cover covenant to June 2025 and to an adjustment to the net debt to underlying EBITDA covenant to December 2023.

The revised banking covenants and thresholds are assumed to be in place throughout the going concern assessment period. However, there remains a material uncertainty over going concern until the formal documentation is signed, which is expected to be completed before the publication of the Group's Annual Report and Accounts.

A schedule of contributions is also in place with the pension trustees with an agreed £3.5 million to be paid annually until 31 October 2039. Additional contributions also agreed of 25% of any surplus of FY23/24 underlying EBITDA over £18 million payable from 30 June 2024 to 31 May 2025, extending to 26% of any FY24/25 surplus payable from 30 June 2025 to 31 May 2026.

In addition, the pension scheme has the benefit of a fifth covenant to be tested each year up to and including FY23. The test requires any shortfall of pension deficit recovery contributions when measured against Pension Protection Fund priority drift (which is a measure of the increase in the UK Pension Protection Fund's potential exposure to the Group's pension scheme liabilities), to be met by a combination of cash payments to the scheme, plus a notional (non-cash) proportion of the increase in the underlying value of the CTP and Aerospace segments based on an EBITDA multiple for those businesses which is determined annually. This test will be completed on the 31 March 2023 audited financial statements and management expect this covenant to be met.

The Group is subject to a number of key risks and uncertainties, as detailed in the Principal risks and uncertainties section in the Annual Report and Accounts. 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, at least twelve-months from the date of signing the 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 sales, 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 the Annual Report and Accounts.

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of loss of business from: discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 3% matched by a corresponding fall in cost of sales of the same amount and interest rate risk.

The Group is not exposed to vulnerable sectors or vulnerable countries but does have 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 in the Annual Report and Accounts.

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.

Directors' liability

Neither the Company nor the Directors accept any liability to any person in relation to this report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or mistaken statement or omission shall be determined in accordance with section 90(A) of the Financial Services and Markets Act 2000.

Responsibility statement of the Directors in respect of the annual report

The Directors at the date of this statement 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.

2 Accounting policies

The accounting policies set out in the last published financial statements for the year to 31 March 2022 have been applied consistently to all periods presented in this preliminary statement, unless otherwise stated.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2022. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2022:

- IAS 16 Property, Plant and Equipment (Amendment): Proceeds before intended use (effective date 1 January 2022);
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment): Onerous contracts - Costs of Fulfilling a Contract (effective date 1 January 2022);
- IFRS 3 Business Combinations (Amendment): Reference to the Conceptual Framework (effective date 1 January 2022); and
- Annual Improvements to IFRSs (2018-2020 cycle) (effective date 1 January 2022)

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2023. 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, deferral of effective date and Exposure Draft: Non-current liabilities with covenants (effective date 1 January 2023, although the IASB has tentatively decided to defer the effective date further to being not before 1 January 2024);
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Material Judgements (Amendment): Disclosure of accounting policies (effective date 1 January 2023);
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of accounting estimates (effective date 1 January 2023); and
- IAS 12 Income Taxes: Deferred Tax related to assets and liabilities arising from a single transaction (effective 1 January 2023).

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

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

3 Accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Management has discussed these with the Audit and Risk Committee. These should be read in conjunction with the significant accounting policies provided in the Annual Report and Accounts.

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. This determines whether the Group should operate the going concern basis of preparation for these financial statements.

Impairment of assets
Note 12 contains 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 2023 amounts to £23.0 million (31 March 2022: £22.0 million)

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

Key sources of estimation uncertainty –

The Group tests whether goodwill has suffered any impairment and considers whether there is any indication of impairment on an annual basis. As set out in more detail in notes 12 and 13, 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 is included in note 12.

Pension assumptions
Note 16 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. The pension liability at 31 March 2023 amounts to £34.5 million (31 March 2022: £26.0 million).

Key sources of estimation uncertainty –

The value of the defined benefit pension plan obligation is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. Differences arising from actual experience or future changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income. The Group exercises judgement in determining the assumptions to be adopted after discussion with a qualified actuary. Details of the key actuarial assumptions used and of the sensitivity of these assumptions are included within note 6.

In the prior year, the Scheme introduced a right for members to Pension Increase Exchange (PIE). Having taken actuarial advice, the Executive management exercised judgement that, similar to the Bridging Pension Option adopted in the year to 31 March 2021, 40% of members would take the PIE option 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.

Lease break options
The Annual Report and Accounts contain information about lease break options.

Key judgement –

Management has applied judgement when determining the expected certainty that a break option within a lease will be exercised.

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.

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.

Recognition of deferred tax assets
Information about the deferred tax assets recognised in the consolidated statement of financial position is included in the Annual Report and Accounts.

Key judgement –

Management have exercised judgement over the level of future taxable profits in the UK against which to relieve the Group's deferred tax assets. On this basis management believe it is no longer appropriate to recognise deferred tax assets (other than a £0.3 million deferred tax asset which is available to off-set against a deferred tax liability of £0.3 million arising on historic property revaluations) and at 31 March 2023 UK deferred tax assets of £0.7 million have been derecognised (31 March 2022: £0.7 million recognised).

Classification of exceptional items
Note 6 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.

Non-current assets classified as held for sale
Note 14 includes information about non-current assets held for sale.

Key judgements –

Management has applied judgement in determining whether a sale is highly probable at 31 March 2023 and as such whether non-current assets are classified as held for sale at the balance sheet date. Management have determined that these criteria did not apply to any non-current assets at 31 March 2023.

4 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 for the life science, optical and precision component industries. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

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

The Central costs relate to the cost of running the Group, plc and non-trading companies.

The LED Technologies segment presented as a discontinued operation in the prior year was a leader in the development of high-power LED lighting for the premium automotive industry and was disposed of in the year to 31 March 2020. See note 5.

Transfer pricing between business segments is set on an arm’s length basis. Segmental revenues and results are after the elimination of transfers between business segments. Those transfers are eliminated on consolidation.

Analysis by business segment
The segment results for the year ended 31 March 2023 were as follows –

	CTP (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Group total £000
Consolidated income statement				
External revenue	**136,814**	**6,631**	**-**	**143,445**
External expenses	**(129,493)**	**(5,111)**	**(2,902)**	**(137,506)**
Underlying operating profit / (loss)	**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	**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**

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

	CTP (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	LED Technologies (discontinued operations) £000	Group total £000
Consolidated income statement						
External revenue	123,869	4,707	-	128,576	-	128,576
Expenses	(115,476)	(4,030)	(2,974)	(122,480)	-	(122,480)
Underlying operating profit / (loss)	8,393	677	(2,974)	6,096	-	6,096
Covid-19 related US government grant income	2,087	-	-	2,087	-	2,087
Operating profit / (loss) before exceptional items	10,480	677	(2,974)	8,183	-	8,183
Exceptional operating items	-	-	721	721	-	721
Operating profit / (loss)	10,480	677	(2,253)	8,904	-	8,904
Net finance expense				(2,989)	-	(2,989)
Income tax expense				(809)	-	(809)
Profit / (loss) from operating activities after tax				5,106	-	5,106
Profit on disposal of discontinued operations net of tax				-	693	693
Profit for the period				5,106	693	5,799
Consolidated statement of financial position						
Segment assets	121,119	6,418	661	128,198	-	128,198
Segment liabilities	(40,686)	(998)	(62,098)	(103,782)	-	(103,782)
Net assets	80,433	5,420	(61,437)	24,416	-	24,416
Other segmental information						
Capital expenditure on property, plant and equipment	9,529	36	143	9,708	-	9,708
Capital expenditure on computer software	62	-	73	135	-	135
Depreciation	6,533	234	58	6,825	-	6,825
Amortisation of computer software	16	-	120	136	-	136
Amortisation of other intangibles	67	-	-	67	-	67

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	
	FY22/23 £000	FY21/22 £000	**FY22/23 £000**	FY21/22 £000	**FY22/23 £000**	FY21/22 £000
United Kingdom	**14,157**	12,632	**(40,329)**	(29,367)	**1,923**	1,651
North America	**70,955**	65,296	**27,909**	27,267	**3,204**	6,918
Rest of world	**58,333**	50,648	**24,026**	26,516	**787**	1,274
	143,445	128,576	**11,606**	24,416	**5,914**	9,843

The analysis of segment revenue represents revenue from external customers based upon the location of the customer.

The analysis of segment assets and capital expenditure is based upon the location of the assets.

The material components of the Central segment assets and liabilities are retirement benefit obligation net liabilities of £34.493 million (FY21/22: net liabilities of £25.979 million), and net borrowings of £31.250 million (FY21/22: £36.134 million).

One CTP customer accounted for 28.4% (FY21/22: 37.8%) and another customer for 10.5% (FY21/22:10.4%) of Group revenues from continuing operations and similar proportions of trade receivables.

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

Deferred tax assets by geographical location are as follows: United Kingdom £0.283 million (FY21/22: £0.952 million), North America £0.800 million (FY21/22: £0.288 million), rest of world £0.102 million (FY21/22: £0.163 million).

Total non-current assets by geographical location are as follows, United Kingdom £22.569 million (FY21/22: £24.159 million), North America £28.839 million (FY21/22: £28.142 million), rest of world £18.561 million (FY21/22: £18.895 million).

5 Discontinued operation

There were no new discontinued operations in the twelve months ended 31 March 2023 or in the prior year comparative. Prior year proceeds were in respect to amounts received from the administrators of Wipac Ltd which was part of the former LED Technologies segment, classified as discontinued in the year to 31 March 2020. Management does not expect to receive any further proceeds from the administrators of Wipac Ltd.

6 Exceptional items

	FY22/23 £000	FY21/22 £000
Continuing operations		
Rationalisation costs	**(3,404)**	(133)
Costs arising from cancellation of future supply agreement	**(877)**	-
Doubtful debt and related inventory provision	**(896)**	-
Costs in respect of legacy claims	**(302)**	-
Credit arising on the disposal of surplus properties	**769**	-
Past service credit in respect of retirement benefits	**-**	854
	(4,710)	721
Discontinued operations		
Profit on disposal of discontinued operations	**-**	693
	-	693
	(4,710)	1,414

Rationalisation costs from continuing operations during the period relate to the restructuring and refinancing of the Group. These include £1.4 million employee and other related costs in respect to restructuring of the Central and CTP divisions, £1.0 million impairment costs relating to manufacturing footprint rationalisation (inventory £0.4 million, fixed assets £0.3 million, intangible assets £0.2 million and an onerous lease provision £0.2 million), £0.7 million legal and professional costs relating to refinancing and £0.2 million exceptional pension scheme administration costs incurred to ensure successful refinancing with the Group's principal bank and Group pension scheme. Prior year costs were £0.2 million exceptional pension scheme administration costs, £0.1 million consultant fees and a £0.1million credit being the release of accruals in respect to legal and professional costs.

On 30 May 2023, the Group signed a full and final settlement agreement with a leading global OEM customer. Due to a contraction in the end-market demand for COVID testing, they would not be proceeding into the production phase of the project, see note 19. Receiving notice in December 2022 was deemed by management to be an event that might be an indicator of impairment at 31 March 2023. An impairment review was undertaken, with final settlement providing evidence that impairment existed. As a result, the Group has recognised a £0.9 million impairment for: a £0.3 million inventory provision, £0.5 million fixed asset impairment and £0.1 million other costs in the income statement in the year to 31 March 2023. The Group expects to recognise an exceptional gain in the income statement to 31 March 2024 of approximately £0.6 million.

In March 2023, a customer of the CTP division, in the USA, provided notice that it would be ceasing to operate. £0.6 million provision has been made for the debt outstanding at year end less any amounts expected to be recovered through credit insurance, and a £0.3 million provision for inventory purchased specifically for that customer.

A provision has been recognised in the current year for £0.3 million (2022: £nil), in respect to health-related legacy claims.

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

The gain in respect to retirement benefits in the prior year is a past service credit for the impact of introducing a Pension Increase Exchange option to members. See note 16 for more information.

The prior period profit on disposal of discontinued operations of £0.7 million was proceeds received in that year from the administrators of Wipac Limited. See note 5.

7 Government support for Covid-19

In April 2020, the Group received a loan under the Paycheck Protection Program, underwritten by the US government in support of Covid-19 for $2.9 million. On 5 May 2021, notice of forgiveness of the loan was received from the Small Business Administration, resulting in its conversion from a loan to a grant and therefore its release to the consolidated income statement.

The credit recognised in respect to the Covid-19 related government grant was presented separately on the face of the consolidated income statement for the year ended 31 March 2022 for clarity.

8 Net Finance expense

	FY22/23 £000	FY21/22 £000
The expense recognised in the consolidated income statement comprises:		
Interest receivable on cash and cash deposits	**218**	77
Interest payable on bank loans and overdrafts	**(2,569)**	(1,794)
Lease interest	**(674)**	(527)
Other interest	**(59)**	(18)
Interest on the net defined benefit pension liability	**(665)**	(727)
Finance expense	**(3,749)**	(2,989)

9 Income tax expense

The expense recognised in the consolidated income statement comprises-

	FY22/23 £000	FY21/22 £000
United Kingdom corporation tax		
Adjustments for prior years	**(18)**	(14)
Overseas taxation:		
Current tax	**(1,462)**	(1,266)
Adjustments for prior years	**110**	(190)
Total current tax net expense	**(1,370)**	(1,470)
Deferred tax expense		
Origination and reversal of temporary differences:		
Deferred tax	**(20)**	629
Adjustments for prior years	**17**	32
Rate Change	**(64)**	-
Total deferred tax (charge) / credit	**(67)**	661
Total income tax expense recognised in the consolidated income statement	**(1,437)**	(809)

Reconciliation of tax expense for the year –

The Group has reported an effective tax rate for the period of (57.0%) which is significantly below the standard rate of UK corporation tax of 19%. The differences are explained as follows –

	FY22/23 **£000**	**FY22/23** **%**	FY21/22 £000	FY21/22 %
(Loss) / Profit before tax	**(2,520)**		6,608	
Income tax using standard rate of UK corporation tax of 19% (FY21/22: 19%)	**(479)**	**19.0**	1,256	19.0
Expenses not deductible for tax purposes	**128**	**(5.1)**	267	4.0
R&D tax relief	**-**	**-**	(22)	(0.3)
Income not taxable	**(125)**	**5.0**	(603)	(9.1)
Adjustments in respect of overseas tax rates	**155**	**(6.2)**	273	4.1
Derecognition / (Recognition) of deferred tax asset previously recognised / unrecognised	**669**	**(26.5)**	(657)	(9.9)
Unprovided deferred tax movement	**982**	**(39.0)**	(412)	(6.2)
Adjustment to current tax in respect of prior periods (UK and overseas)	**(92)**	**3.7**	204	3.1
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**(17)**	**(0.7)**	(32)	(0.5)
Foreign taxes expensed in the UK	**210**	**(8.3)**	535	8.1
Rate change on deferred tax	**64**	**(2.5)**	-	-
Foreign exchange currency loss	**(58)**	**2.3**	-	-
Total income tax expense	**1,437**	**(57.0)**	809	12.2

Tax on items charged outside of the consolidated income statement –

	FY22/23 **£000**	FY21/22 £000
Recognised in other comprehensive income:		
Foreign exchange movements	**190**	127
Total income tax charged to other comprehensive income	**190**	127

10 (Loss) / earnings per share

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

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

	FY22/23 **£000**	FY21/22 £000
(Loss) / profit after tax but before profit on discontinued operations	**(3,957)**	5,106
(Loss) / profit attributable to non-controlling interests	**-**	-
(Loss) / profit attributable to ordinary shareholders from continuing operations	**(3,957)**	5,106
Profit on discontinued operations, net of tax	**-**	693
(Loss) / profit after tax, attributable to equity holders of the parent	**(3,957)**	5,799

	FY22/23 **Shares**	FY21/22 Shares
Weighted average number of ordinary shares in the year	**73,419,193**	73,419,193
Effect of share options in issue	**15,974**	324,977
Weighted average number of ordinary shares (diluted) in the year	**73,435,167**	73,744,170

None of the awards outstanding under the performance share plan are expected to vest at 31 March 2023. As these potential ordinary shares are anti-dilutive at 31 March 2023, they have not been included in the calculation of dilutive earnings per share.

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

The following table reconciles the Group's (loss) / profit to underlying profit used in the numerator in calculating underlying earnings per share:

	FY22/23 £000	FY21/22 £000
(Loss) / profit after tax, attributable to equity holders of the parent	**(3,957)**	5,799
Continuing operations:		
Exceptional – rationalisation and restructuring costs, net of tax	**3,070**	133
Exceptional – Costs arising from cancellation of future supply agreement, net of tax	**752**	-
Exceptional – Doubtful debt and related inventory provision, net of tax	**673**	-
Exceptional – Costs in respect to legacy claims, net of tax	**302**	-
Exceptional – Credit arising on the disposal of surplus properties, net of tax	**(578)**	-
Exceptional – gain in respect of retirement benefits, net of tax	**-**	(854)
Covid-19-related US government grant income, net of tax	**-**	(2,087)
Discontinued operations:		
Exceptional – Gain on disposal of discontinued operations, net of tax	**-**	(693)
Underlying profit attributable to equity holders of the parent	**262**	2,298
Covid-19-related US government grant income, net of tax	**-**	2,087
Profit after tax but before exceptional items, attributable to equity holders of the parent	**262**	4,385
Underlying operating profit – continuing operations	**5,939**	6,096
Finance revenue – continuing operations	**218**	77
Finance expense – continuing operations	**(3,967)**	(3,066)
Income tax expense – continuing operations	**(1,928)**	(809)
Underlying profit attributable to equity holders of the parent – continuing operations	**262**	2,298
Covid-19-related US government grant income, net of tax	**-**	2,087
Profit after tax but before exceptional items – continuing operations	**262**	4,385

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

	FY22/23 Pence	FY21/22 Pence
Basic (loss) / earnings per share – continuing operations	**(5.4)**	7.0
Basic (loss) / earnings per share – discontinued operations	**-**	0.9
Basic (loss) /earnings per share	**(5.4)**	7.9
Diluted (loss) / earnings per share – continuing operations	**(5.4)**	6.9
Diluted (loss) / earnings per share – discontinued operations	**-**	0.9
Diluted (loss) / earnings per share	**(5.4)**	7.9
Underlying earnings per share – basic – continuing operations	**0.4**	3.1
Underlying earnings per share – basic – discontinued operations	**-**	-
Underlying earnings per share – basic	**0.4**	3.1
Underlying earnings per share – diluted – continuing operations	**0.4**	3.1
Underlying earnings per share – diluted – discontinued operations	**-**	-
Underlying earnings per share – diluted	**0.4**	3.1
Earnings per share before exceptional items – basic – continuing operations	**0.4**	6.0
Earnings per share before exceptional items – basic – discontinued operations	**-**	-
Earnings per share before exceptional items – basic	**0.4**	6.0
Earnings per share before exceptional items – diluted – continuing operations	**0.4**	6.0
Earnings per share before exceptional items – diluted – discontinued operations	**-**	-
Earnings per share before exceptional items – diluted	**0.4**	6.0

11 Dividends paid and proposed

The Directors are not proposing a final dividend for the year ended 31 March 2023 (31 March 2022: £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 June 2025.

12 Intangible assets

	Goodwill £'000	Patents and development costs £'000	Customer-related intangibles £000	Computer Software £000	Total £000
Cost					
Balance at 31 March 2021	22,408	16,734	527	1,741	41,410
Additions	-	-	-	135	135
Effect of movements in foreign exchange	686	-	26	23	735
Balance at 31 March 2022	**23,094**	**16,734**	**553**	**1,899**	**42,280**
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**
Amortisation					
Balance at 31 March 2021	1,343	16,734	235	1,250	19,562
Amortisation for the year	-	-	67	136	203
Effect of movements in foreign exchange	(213)	-	-	14	(199)
Balance at 31 March 2022	**1,130**	**16,734**	**302**	**1,400**	**19,566**
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**
Carrying amounts					
At 1 April 2021	21,065	-	292	491	21,848
At 31 March 2022	21,964	-	251	499	22,714
At 31 March 2023	**23,010**	**62**	**-**	**391**	**23,463**

The Group has incurred research and development costs of £0.2 million (FY21/22: £0.2 million) which have been included within operating expenses in the consolidated income statement.

The decision by the Directors of the Group to proceed with a plan of rationalisation of the USA manufacturing footprint led to an impairment review of certain of the site assets. A customer-related intangible asset which was recognised on acquisition of one of the USA sites was reviewed as part of this exercise, and as the Group now has minimal trading with the customers to which it related, the carrying amount has been fully impaired and recognised as an exceptional item, see note 6.

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 4.

The carrying value of goodwill at 31 March 2023 and 31 March 2022 is allocated wholly to the CTP cash generating unit as follows:

	FY22/23 **£000**	FY21/22 £000
CTP	**23,010**	21,964

At 31 March 2023, the recoverable amount of the CTP cash generating unit was determined on a calculation of value in use, being the higher of that and fair value less costs of disposal “FVLCD”. The results of each produced the same answer, that there is no impairment of goodwill.

The value in use calculations use cash flow projections based upon financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using estimated growth rates of between 2.0% and 4.1% (FY21/22: 2.3% and 4.2%) depending upon the market served.

The cash flows were discounted at pre-tax rates in the range 9.3% - 10.4% (FY21/22: 6.1% - 8.7%). These rates are calculated and reviewed annually and are based on the Group’s weighted average cost of capital. Changes in income and expenditure are based on expectations of future changes in the market. Sensitivity testing of the recoverable amount to reasonably possible changes in key assumptions has been performed, including changes in the discount rate and changes in forecast cash flows.

All other assumptions unchanged, a 5.5% (FY21/22: 6.6%) increase in the discount rate increasing the range to 14.8% - 15.9% (FY21/22: 12.7% - 15.3%), or a 28.8% (FY21/22: 45.0%) 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.

13 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2021	36,446	67,659	104,105
Additions	5,792	3,916	9,708
Disposals	(3)	(1,087)	(1,090)
Reclassification to assets held for sale	(608)	-	(608)
Effect of movements in foreign exchange	1,296	1,639	2,935
Balance at 31 March 2022	**42,923**	**72,127**	**115,050**
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**
Depreciation and impairment losses			
Balance at 31 March 2021	12,848	48,039	60,887
Depreciation charge for the year	3,338	3,487	6,825
Disposals	(2)	(1,068)	(1,070)
Reclassification to assets held for sale	(342)	-	(342)
Effect of movements in foreign exchange	621	1,165	1,786
Balance at 31 March 2022	**16,463**	**51,623**	**68,086**
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**
Carrying amounts			
At 1 April 2021	23,598	19,620	43,218
At 31 March 2022	26,460	20,504	46,964
At 31 March 2023	**25,467**	**19,854**	**45,321**

At 31 March 2023, properties with a carrying amount of £2.6 million were subject to a registered charge in favour of the Group pension scheme (FY21/22: £2.7 million) capped at £5.1 million.

Property, plant and equipment includes right-of-use assets.

A further £0.1 million net carrying value was reclassified from land and buildings to assets held for sale as set out in note 14 (FY21/22: £0.3 million).

Receiving notice from a leading global OEM CTP customer in December 2022 that they would not be proceeding into the production phase of a project was deemed by management to be an event that might be an indicator of impairment at 31 March 2023. An impairment review was undertaken, with final settlement providing evidence that impairment existed. The Directors have undertaken an exercise to determine the recoverable amount of assets that were earmarked for use on this project where recoverable amount is the higher of value in use and fair value less costs of disposal. Whilst the significant proportion of fixed assets at 31 March 2023 will be repurposed within the business, there are a number of machines which management have decided to sell. As a result, an impairment charge of £0.485 million has been recognised in the year ended 31 March 2023 and has been disclosed as an exceptional item in the consolidated income statement, see note 6, being the difference between NBV at year end and fair value less costs of disposal.

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 site's assets. Whilst a number of the assets will be repurposed within the Group and are supported by the value in use calculations of the CTP division, there are a number of assets that have been identified that will be disposed of. These assets have been impaired to fair value less costs to dispose, resulting in an impairment charge of £0.299 million, recognised as an exceptional item, see note 6.

Refer to note 12 for details of cash flows and assumptions used in value in use calculations.

14 Non-current assets classified as held for sale

	FY22/23 £000	FY21/22 £000
Land and buildings held for sale at 1 April	**266**	-
Additions	**64**	266
Effect of movements in foreign exchange	**30**	-
Disposals	**(360)**	-
Net assets held for sale at 31 March	**-**	266

On 11 July 2022, the Group finalised a sale and leaseback arrangement of a CTP manufacturing site at Tucson, Arizona, USA for agreed consideration of $2.95 million less costs of $0.155 million (£2.351 million net). A lease term of eight years and four months was agreed and grants the Group the right to cancel any time after 1 October 2025, provided twelve months' notice is given. At 31 March 2023 there is no reasonable certainty that the Group will exercise the break clause.

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

15 Loans and borrowings

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

	Term loan £000	Government Covid-19 support loan £000	Revolving credit facility £000	Lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2021	31,812	2,104	2,000	7,055	110	43,081
Changes from financing cashflows						
Drawings on new facilities	-	-	1,500	-	75	1,575
Repayment of borrowings	(2,218)	-	-	(3,195)	(64)	(5,477)
	(2,218)	-	1,500	(3,195)	11	(3,902)
Effect of changes in foreign exchange rates	440	(17)	-	192	1	616
Liability-related other charges						
Drawings on new facilities	-	-	-	6,818	-	6,818
Conversion of loan to a grant	-	(2,087)	-	-	-	(2,087)
Interest expense	226	-	-	-	-	226
	226	(2,087)	-	6,818	-	4,957
Equity-related other changes	-	-	-	-	-	-
Balance at 31 March 2022	**30,260**	**-**	**3,500**	**10,870**	**122**	**44,752**
Changes from financing cashflows						
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**
Equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2023	**28,950**	**-**	**3,500**	**11,870**	**394**	**44,714**

16 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 2,561 current and past employees as at 31 March 2023.

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 now have the option of entering 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 £82.8 million. 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 2022 amounted to £3.9 million, £3.85 million in respect of the year to 31 March 2023 and are agreed as £3.5 million annually thereafter, plus additional contributions of 25% of any surplus of FY23/24 underlying EBITDA over £18.0 million payable from 30 June 2024 to 31 May 2025, extending to 26% of any FY24/25 surplus 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 £1.2 million in the year to 31 March 2022, £0.85 million in years ending 31 March 2023, 2024 and 2025 and £0.6 million 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 2023 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 £251.5 million (31 March 2022: £248.2 million). Excluding the assets which eliminate in the Group upon consolidation the value of the security was £38.0 million (31 March 2022: £36.3 million).

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 2023. There have been no changes in the valuation methodology adopted for this period’s disclosures compared to the previous period’s disclosures.

The Scheme exposes the Group to actuarial risks and the key risks are set out in the table below. In each instance these risks would detrimentally impact the Group's statement of financial position and may give rise to increased interest costs in the Group income statement. The trustees could require higher cash contributions or additional security from the Group.

The trustees manage governance and operational risks through a number of internal controls policies, including a risk register and integrated risk management.

Risk	Description	Mitigation
Investment risk	Weaker than expected investment returns result in a worsening in the Scheme's funding position.	The trustees continually monitor investment risk and performance and have established an investment sub-committee which includes a Group representative, meets regularly and is advised by professional investment advisors. A number of the investment managers operate tactical investment management of the plan assets. The Scheme currently invests approximately 69% of its asset value in liability-driven investments, 28% in a portfolio of diversified growth funds and 3% 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 105% 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 110% of the Scheme's inflation-linked liabilities being hedged on a funded basis. The growth assets held are expected to provide protection over inflation in the long term.
Mortality risk	An increase in life expectancy leads to benefits being payable for a longer period which results in an increase in the Scheme's liabilities.	The trustees' actuary provides regular updates on mortality, based on scheme experience, and the assumption continues to be reviewed.

The amounts recognised in the statement of financial position in respect of the defined benefit scheme were as follows:

	FY22/23 **£000**	FY21/22 £000
Present value of funded obligations	**(134,091)**	(181,759)
Fair value of scheme assets	**99,598**	155,780
Recognised liability for defined benefit obligations	**(34,493)**	(25,979)

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 £51.433 million.

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

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

	FY22/23 £000	FY21/22 £000
Net liability for defined benefit obligations at the start of the year	**(25,979)**	(37,275)
Contributions paid	**4,142**	3,900
Net expense recognised in the consolidated income statement (see below)	**(2,079)**	(1,084)
Remeasurement (losses) / gains recognised in other comprehensive income	**(10,577)**	8,480
Net liability for defined benefit obligations at the end of the year	**(34,493)**	(25,979)

Movements in the present value of defined benefit obligations:

	FY22/23 £000	FY21/22 £000
Defined benefit obligation at the start of the year	**181,759**	204,654
Interest expense	**4,750**	3,986
Actuarial loss due to scheme experience	**4,897**	-
Actuarial gains due to changes in demographic assumptions	**(7,539)**	(1,767)
Actuarial gains due to changes in financial assumptions	**(38,032)**	(13,476)
Benefits paid	**(11,744)**	(10,784)
Past service credit (see note 6)	**-**	(854)
Defined benefit obligation at the end of the year	**134,091**	181,759

There have been no plan amendments, curtailments, or settlements during the period.

In the prior year, the scheme introduced a Pension Increase Exchange ("PIE"). A Deed of Amendment, signed 16 March 2022, created the right for deferred members to take PIE at retirement. It also created the right for members to receive PIE on terms such that 20% of the PIE value is retained within the Scheme. Based upon the assumption that 40% of members will opt for PIE at retirement, this resulted in a reduction in the value of accrued liabilities and as a result a past service credit was recognised in the income statement of £0.9 million in that year, presented within exceptional items.

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc and others was published on 26 October 2018, and held that UK pension schemes with Guaranteed Minimum Pensions ("GMPs") accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods for equalisation.

The trustees of the plan will need to obtain legal advice covering the impact of the ruling on the plan, before deciding with the employer on the method to adopt. The legal advice will need to consider (amongst other things) the appropriate GMP equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out for example).

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%, thereby resulting past service cost of £3.6 million was recognised in the income statement at that time. The Scheme has not yet implemented GMP equalisation and therefore the allowance made in 2019 has been maintained for accounting disclosures.

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

The impact of this ruling was estimated to cost £0.2 million (approximately 0.1% of liabilities). This additional service cost was recognised through the income statement as a past service cost in the year ending 31 March 2021 and was presented within exceptional items and therefore the impact of the ruling is allowed for in the figures presented at 31 March 2023.

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

	FY22/23	FY21/22
	%	%
Active	**-**	-
Deferred	**29**	35
Pensioners	**71**	65
	100	100

Movements in the fair value of Scheme assets:

	FY22/23	FY21/22
	£000	£000
Fair value of Scheme assets at the start of the year	**155,780**	167,379
Interest income	**4,085**	3,259
Loss on Scheme assets excluding interest income	**(51,251)**	(6,763)
Contributions by employer	**4,142**	3,900
Benefits paid	**(11,744)**	(10,784)
Expenses paid	**(1,414)**	(1,211)
Fair value of Scheme assets at the end of the year	**99,598**	155,780
Actual loss on Scheme assets	**(47,166)**	(3,504)

The fair value of Scheme asset investments was as follows:

	FY22/23	FY21/22
	£000	£000
Diversified growth funds	**28,463**	65,234
Bonds and liability-driven investment funds	**68,365**	87,931
Cash and liquidity funds	**2,770**	2,615
Total assets	**99,598**	155,780

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied, or other assets used by the Group.

All of the Scheme assets have a quoted market price in an active market with the exception of the trustees' bank account balance.

Diversified growth funds are pooled funds invested across a diversified range of assets with the aim of giving long-term investment growth with lower short-term volatility than equities.

It is the policy of the trustees and the Group to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the Scheme are set out in the Statement of Investment Principles.

A proportion of the Scheme's assets is invested in the BMO LDI Nominal Dynamic LDI Fund and in the BMO LDI Real Dynamic LDI Fund which provides a degree of asset liability matching.

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

	FY22/23 £000	FY21/22 £000
Past service credit	**-**	(854)
Net interest on the net defined benefit liability	**665**	727
Scheme administration expenses	**1,414**	1,211
	2,079	1,084

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

	FY22/23 £000	FY21/22 £000
Charged to operating profit	**1,242**	1,000
Charged / (credited) to exceptional items	**172**	(643)
Other finance revenue and expense – net interest on the net defined benefit liability	**665**	727
	2,079	1,084

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

	FY22/23	FY21/22
Discount rate at 31 March	**4.90%**	2.70%
Future salary increases	**N/A**	N/A
Inflation (RPI) (non-pensioner)	**3.25%**	3.70%
Inflation (CPI) (non-pensioner)	**2.75%**	3.20%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.25%**	3.70%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.75%**	3.20%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**2.90%**	3.55%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.00%**	2.60%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.80%**	3.85%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.35%**	4.30%

The mortality assumptions adopted at 31 March 2023 are 165% and 165% respectively of the standard tables S3PMA / S3PFA (2021: 143% / 153% of S3PMA/S3PFA respectively), year of birth, no age rating for males and females, projected using CMI_2021 converging to 1.00% p.a. (FY21/22: 1.00%) with a smoothing parameter 7.0% (FY21/22: 7.0%). The change in % applied follows an independent review prepared for the 2021 actuarial valuation.

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

	2023	2022
Life expectancy for a male (current pensioner) aged 65	**17.8 years**	18.8 years
Life expectancy for a female (current pensioner) aged 65	**20.4 years**	20.9 years
Life expectancy at 65 for a male aged 45	**18.7 years**	19.7 years
Life expectancy at 65 for a female aged 45	**21.6 years**	22.0 years

It is assumed that 75% of the post A-Day maximum for active and deferred members will be commuted for cash (FY21/22: 75%).

Pension Increase Exchange take-up was estimated to be 40% on implementation in the prior year; 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.

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

	FY22/23 %	**FY22/23 £000**	FY21/22 %	FY21/22 £000
Discount rate [1]				
Increase of 0.25% per annum	**(2.41%)**	**(3,228)**	(3.68%)	(6,682)
Decrease of 0.25% per annum	**2.51%**	**3,365**	3.82%	6,937
Decrease of 1.0% per annum	**10.71%**	**14,363**	16.10%	29,258
Inflation [2]				
Increase of 0.25% per annum	**0.64%**	**853**	1.25%	2,272
Increase of 1.0% per annum	**2.77%**	**3,711**	4.71%	8,568
Decrease of 1.0% per annum	**(2.61%)**	**(3,499)**	(5.47%)	(9,948)
Life expectancy				
Increase of 1 year	**4.30%**	**5,765**	4.88%	8,862

[1] At 31 March 2023, the assumed discount rate is 4.90% (FY21/22: 2.70%).
[2] At 31 March 2023, the assumed rate of RPI inflation is 3.25% and CPI inflation 2.75% (FY21/22: RPI 3.70% and CPI 3.20%).

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 2023 is twelve years (31 March 2022: 15 years).

The life expectancy assumption at 31 March 2023 is based upon increasing the age rating assumption by one year (31 March FY21/22: 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.

The history of the Scheme's deficits and experience gains and losses is shown in the following table:

	FY22/23 £000	FY21/22 £000
Present value of funded obligation	**(134,091)**	(181,759)
Fair value of scheme asset investments	**99,598**	155,780
Recognised liability for defined benefit obligations	**(34,493)**	(25,979)
Actual loss on scheme assets	**(47,166)**	(3,504)
Actuarial gains due to changes in demographic assumptions	**7,539**	1,767
Actuarial gains due to changes in financial assumptions	**38,032**	(13,476)

17 Ordinary share capital

Ordinary shares of 5 pence each:

	Number of shares	**£000**
Issued and fully paid at 31 March 2022	73,419,193	3,671
Issued and fully paid at 31 March 2023	**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 2,857,752 potential share options outstanding under the performance share plan at 31 March 2023 (31 March 2022: 1,517,376). No options vested during the year to 31 March 2023 (31 March FY21/22: nil)

18 Cash generated from operations

	FY22/23 £000	FY21/22 £000
(Loss) / Profit for the year	**(3,957)**	5,799
Adjustments for:		
Pension scheme contributions net of costs settled by the Company	**(3,287)**	(3,258)
Pension scheme costs settled by the Scheme	**559**	569
Depreciation charge	**7,815**	6,825
Amortisation charge	**211**	203
Exceptional rationalisation costs	**1,304**	-
Exceptional costs arising from cancellation of future supply agreement	**751**	-
Exceptional doubtful debt and related inventory provision	**896**	-
Exceptional costs in respect to legacy claims	**302**	-
Exceptional gain in respect of retirement benefits	**-**	(854)
Exceptional profit on disposal of surplus property	**(769)**	-
Conversion of Covid-19 government support loan to grant	**-**	(2,087)
Profit on business disposal	**-**	(693)
Loss on disposal of intangible non-current assets	**14**	-
Share-based payment (credit) /charge	**(33)**	73
Financial income	**(218)**	(77)
Financial expense	**3,967**	3,066
Taxation expense	**1,437**	809
Operating cash flow before changes in working capital	**8,992**	10,375
Changes in working capital		
Decrease / (increase) in inventories	**1,539**	(3,816)
Decrease / (increase) in contract assets	**2,388**	(4,708)
(Increase) / decrease in trade and other receivables	**(1,656)**	42
(Decrease) / increase in trade and other payables	**(943)**	4,549
(Decrease) / increase in contract liabilities	**(2,542)**	338
Cash generated from operations	**7,778**	6,780

19 Post balance sheet events

In December 2022, having delivered the Design and Engineering phase of the supply contract, the Group received notice from a leading global OEM customer that, due to a contraction in the end-market demand for Covid-19 testing, they would not be proceeding into the production phase of the project. On 30 May 2023, a mutually satisfactory settlement agreement was signed which largely off-sets the Group's financial exposure arising from early termination of the contract. The Group has recognised an exceptional cost in the year to 31 March 2023 of £0.9 million, most of which is to recognise assets on balance sheet at recoverable amount, see note 6 for further details. The Group will recognise an exceptional gain in the income statement to 31 March 2024 of approximately £0.6 million. Although the details of the agreement remain confidential, full and final settlement was received on 21 June 2023.

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 due to mature on 30 June 2025. On 1 June 2023, a voluntary repayment of £0.4 million was made and on 30 June 2023, a further voluntary repayment of £3.3 million was made.

Information for shareholders

Reconciliation of non-GAAP financial measures

	Notes	FY22/23 £000	FY21/22 £000
(Loss) / Profit for the period		**(3,957)**	5,799
Add back: profit on discontinued operations, net of tax	5	**-**	(693)
Statutory (loss) / profit after tax from continuing operations		**(3,957)**	5,106
Add back: Income tax expense from continuing operations	9	**1,437**	809
(Loss) / Profit before tax from continuing operations		**(2,520)**	5,915
Add back: Net financing charge from continuing operations	8	**3,749**	2,989
Operating profit from continuing operations		**1,229**	8,904
Add back: Exceptional items from continuing operations	6	**4,710**	(721)
Operating profit before exceptional items from continuing operations		**5,939**	8,183
Less: Covid-19 related US government grant income		**-**	(2,087)
Underlying operating profit from continuing operations		**5,939**	6,096
Add back: Amortisation of intangible assets from continuing operations	12	**211**	203
Underlying earnings before interest, tax and amortisation (EBITA) from continuing operations		**6,150**	6,299
Add back: Depreciation of property, plant and equipment from continuing operations	13	**7,815**	6,825
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations		**13,965**	13,124
(Loss) / profit before tax from continuing operations		**(2,520)**	5,915
Add back: Exceptional items from continuing operations	6	**4,710**	(721)
Less: Covid-19 related US government grant income		**-**	(2,087)
Underlying profit before tax from continuing operations		**2,190**	3,107
Income tax expense from continuing operations	9	**1,437**	809
Add back: Exceptional tax credit from continuing operations		**491**	-
Group underlying tax expense from continuing operations		**1,928**	809
Group statutory effective tax rate from continuing operations		**(57.0%)**	13.7%
Group underlying effective tax rate from continuing operations		**88.0%**	26.0%
Cash at bank and in hand		**10,354**	12,347
Loans and borrowings - current		**(5,046)**	(2,948)
Loans and borrowings - non-current		**(39,668)**	(41,804)
Net debt		**(34,360)**	(32,405)
Add back: Lease liabilities		**11,870**	10,870
Net debt excluding lease liabilities		**(22,490)**	(21,535)
Information on consolidated statement of cash flows:			
Net cash from operating activities from continuing operations		**3,772**	2,969
Net cash used in investing activities		**(809)**	(4,149)
Less: Net cash from investing activities from discontinued operations	5	**-**	(693)
Net cash used in investing activities from continuing operations		**(809)**	(4,842)
Net cash used in financing activities from continuing operations		**(4,675)**	(2,493)

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
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 DEBT	Cash and cash deposits less loans and borrowings. Used to report the overall financial debt of the Group in a manner that is easy to understand
NET DEBT EXCLUDING LEASE LIABILITIES	Net debt, as defined above, excluding lease liabilities. Used to report the overall non-leasing debt of the Group in a manner that is easy to understand
OPERATIONAL GEARING	Ratio of fixed overheads to sales
EBITDA	Profit before interest, tax, depreciation and amortisation
UNDERLYING	Adjusted to exclude all exceptional and separately disclosed items
UNDERLYING EBITDA	Profit before interest, tax, depreciation and amortisation adjusted to exclude all exceptional and separately disclosed items
UNDERLYING EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional and separately disclosed items
UNDERLYING OPERATING PROFIT	Operating profit adjusted to exclude all exceptional and separately disclosed items
UNDERLYING PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional and separately disclosed items
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	Operating profit adjusted to exclude all exceptional items
RETURN ON SALES	Underlying operating profit, as defined above, from continuing operations, as a percentage of revenue from continuing operations
RETURN ON CAPITAL EMPLOYED (EXCLUDING PENSION LIABILITIES)	Return on capital employed measures the underlying operating profit for the Group, including discontinued operations, as a percentage of average capital employed, calculated as the average of the opening equity plus net debt and pension liabilities, and closing equity plus net debt and pension liabilities.