carclo

Annual Report

2019

index

global manufacturer

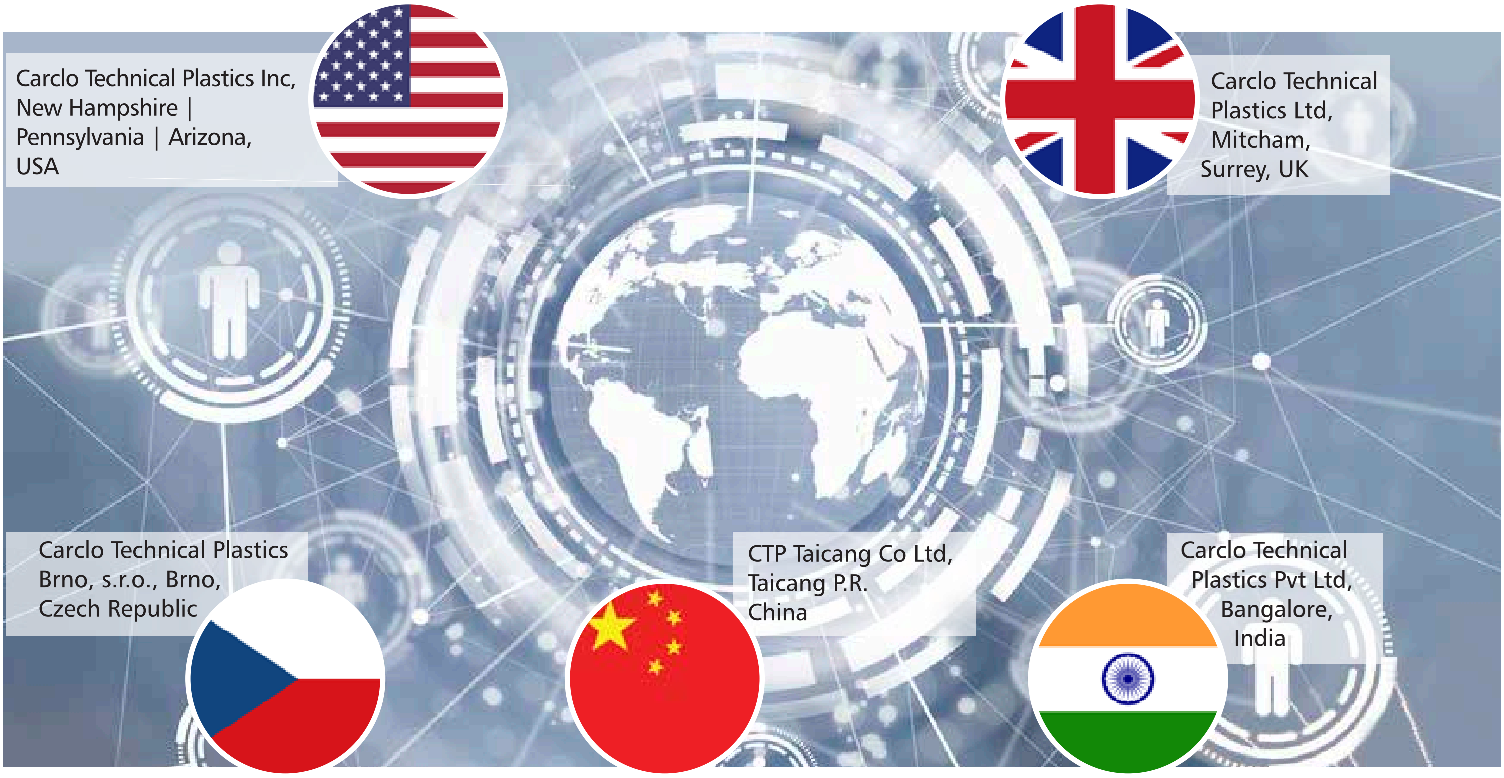
Carclo plc is a public company whose shares are quoted on the Main Market of the London Stock Exchange.

Leading global manufacturer of fine tolerance parts for the medical, industrial, aerospace and premium automotive lighting markets.

Leading designer and manufacturer for premium automotive LED lighting

Global contract manufacturer to medical market

Leading supplier of control cables in Europe



in summary

Carclo plc is a public company whose shares are quoted on the Main Market of the London Stock Exchange.

The Group is a global manufacturer of fine tolerance injection moulded plastic parts mainly for the medical, automotive lighting and optics markets.

The highlights for the year to 31 March 2019 (“2019”) are summarised below -

- 2019 was a challenging year for the Group, with a significant deterioration in the profitability of the LED Technologies division more than offsetting encouraging performances in Technical Plastics and Aerospace
- Revenue decreased by 1.0% to £144.9m (2018: £146.2m)
- Proforma unaudited adjusted operating profit reduced by £2.4m to £8.4m, with underlying operating profit down £9.5m to £1.3m
- After exceptional items of £13.9m and the unaudited proforma exceptional price concession of £7.1m, following the exit of the Group’s mid-volume automotive business, the statutory operating loss was £12.6m (2018: profit of £9.9m) with statutory loss before tax being £14.7m (2018: profit of £8.2m)
- Proforma unaudited adjusted profit before tax reduced by £2.7m to £6.4m, with underlying loss before tax of £0.7m

Forward looking statements

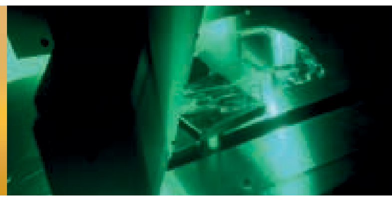
Certain statements made in these report & accounts are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events to differ materially from any expected future events or results referred to in these forward-looking statements.

Alternative performance measures

Alternative performance measures are defined in the glossary on page 26. A reconciliation to statutory figures is included on page 127. The Directors believe that alternative performance measures provide a more useful comparison of business trends and performance. The terms ‘underlying’ and ‘proforma unaudited adjusted’ are not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

After the year end, the strategic decision was taken to exit from the mid volume automotive business. As part of this exit process, one-off price concessions totalling £7.1m were given on certain mid-volume contracts. An additional performance measure, “proforma unaudited adjusted profit” is given which is defined as profit before exceptional items and before the proforma unaudited exceptional price concession on exit from the mid-volume automotive business. The Directors believe that disclosure of this additional performance measure is useful to aid understanding of the performance of the business excluding this impact of the strategic decision taken to exit from this sector.



Financial Highlights

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Revenue	144,851	146,214
Proforma* unaudited adjusted operating profit	8,419	10,811
Proforma* unaudited adjusted profit before tax	6,358	9,071
Proforma* unaudited adjusted earnings per share	7.0p	9.8p
Underlying operating profit	1,315	10,811
Underlying (loss)/profit before tax**	(746)	9,071
Underlying (loss)/earnings per share**	(2.7p)	9.8p
Statutory operating (loss)/profit	(12,593)	9,907
(Loss)/profit before tax	(14,654)	8,167
Basic (loss)/earnings per share	(25.4p)	11.6p
Proforma unaudited adjustment	7,104	-
Exceptional items	13,908	904
Net debt	38,481	31,476
IAS 19 retirement benefit liability	49,121	29,798

	2019	2018
Revenue		
Technical Plastics	90,843	89,653
LED Technologies	47,288	50,589
Aerospace	6,720	5,972
Total	**144,851**	**146,214**
Underlying* operating profit		
Technical Plastics	6,846	6,673
LED Technologies	(3,857)	6,422
Aerospace	1,298	747
Unallocated	(2,972)	(3,031)
Total	**1,315**	**10,811**

* proforma unaudited adjusted profit is defined as profit before all exceptional items and the proforma unaudited exceptional price concession on exit from the mid-volume automotive business.

** underlying profit is defined as profit before all exceptional items, excluding the proforma exceptional price concession on exit from the mid-volume business.




chairman's statement

Overview

The year to 31 March 2019 ("2019") was an extremely challenging one for Carclo, and this remains the case today.

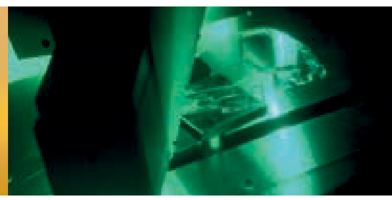
The operating and financial performance at Wipac, the main business in the LED Technologies Division ("LED"), deteriorated through the year, driven by a significant number of new programme launches.

The Group's other operations made good progress during the year, with the Carclo Technical Plastics Division ("CTP") and the smaller Aerospace Division ("Aerospace") both seeing year-on-year improvements in underlying operating profits.

Overall, Group proforma[1] unaudited adjusted profit before tax decreased by £2.7m to £6.4m (2018: £9.1m) and net debt increased to £38.5m (2018: £31.5m). The statutory loss before tax was £14.7m (2018: profit £8.2m). Underlying[2] loss before tax was £0.7m (2018: profit £9.1m).

A turnaround plan for Wipac, involving customer support and operational self-help, was implemented after the year-end, on 1 July 2019, with the aim of returning Wipac to a position of profitability and cash generation over the following eighteen months. A number of approaches were received from parties interested in the potential acquisition of Wipac and the Board is actively pursuing its sale. Discussions remain ongoing, but there remains no certainty that a sale of Wipac will occur. In the event that no disposal occurs, the Board will need to assess the options for this business.



Against this background, Carclo's sole lender has agreed to extend the Group's existing banking facilities until January 2021. An agreement has also been reached with the Pension Trustee as to the level of the Group's contributions to the pension scheme over the same period. Longer-term banking facilities, together with a formal pension deficit reduction plan, will now need to be put in place over the coming months.

Looking forward, the Board is focused on developing a business that generates sufficient cash, on an ongoing basis, to meet the needs of all of its stakeholders. The CTP Division, principally operating in the growing medical diagnostics market, and the smaller niche market Aerospace Division both provide a solid foundation to build on for the future. This leaves delivering a near-term solution for Wipac as key to the future of the Carclo Group.

Strategy

The Group's historic strategy of growing CTP, principally through focusing on the medical market, and growing the LED Technologies Division, principally by moving the Wipac business from low to mid-volume vehicles, was successful in that new programmes were awarded, and revenue grew relatively strongly, in both Divisions. However, this success resulted in significant capital expenditure being incurred in footprint expansion, plant and machinery and, in the case of Wipac, also in significant investment in the design and development of new mid-volume automotive lighting programmes.

As a consequence of this investment, together with the outstanding debt incurred in prior years from the Group's failed investments in CIT Technology and CDS (Carclo Diagnostic Solutions), the Group reached a position where it was approaching the limit of available funds under its existing borrowing facilities. This situation was then exacerbated by the newly awarded programmes being launched into an operationally weak environment.

In CTP this resulted in lower than anticipated performance in 2018 and H1 2019. Pleasingly management changes, including the appointment of a new Divisional CEO, and a focus on operational excellence and cash generation are now having an impact. The results for H2 2019 were significantly ahead of H1 and prospects for year-on-year improvement in 2020 are encouraging. Specific strategic successes and actions in CTP over the past year include: a reduction in the Czech footprint, to enhance profitability; good progress being made in the operational turnaround at the main facility in North America, including the recent development of a dedicated assembly hall; the Indian facility becoming accredited to medical standards and receiving its first medical programme; the Chinese operation extending its medical customer base; and the UK facility successfully bringing into production a large high-quality medical programme which has resulted in a further award from the same customer after the year end.

Wipac is the main business in the LED Technologies Division and it is here that the effects of the historic strategic decisions and operational weakness have had the greatest impact. During the 2019 financial year, Wipac sought to launch a number of low-volume high-end automotive lighting programmes in close succession whilst, at the same time, working on three significant mid-volume programmes, one of which required a greenfield factory to be set up in North America. This volume of activity combined with cash constraints, significant operational weakness and a lack in depth of human capital unfortunately saw business performance deteriorate rapidly. Significant resources were then required to keep customers supplied with product, and able to manufacture vehicles, which resulted in significant losses being incurred by the business. It was likely that the situation would only get worse if Wipac continued on the path of seeking to deliver the mid-volume programmes as it had neither the cash nor human capital to be successful. Accordingly, in consultation with its customers, the

[1]Proforma unaudited adjusted profit is defined as profit before all exceptional items and the proforma unaudited exceptional price concession on exit from the mid-volume automotive business.

[2]Underlying profit is defined as profit before all exceptional items, excluding the proforma unaudited exceptional price concession on exit from the mid-volume business.

decision was jointly taken to exit these three programmes and for Wipac to then refocus its business on the low-volume high-end automotive market where it had for many years been financially successful. At the time of writing, this exit programme is nearing completion, with the realisation of certain related assets resulting in the level of Group net debt improving during the past few months.

For the good of the Group, a near-term and permanent solution for Wipac needs to be delivered as its current cash requirements cannot be met by the Group beyond the short term. Increased temporary levels of customer support are helping to meet the cashflow needs of the Wipac business while a disposal of the Wipac operation is actively pursued.

Whilst the Aerospace Division continued to perform well through the period, principally as the result of its niche markets and strong hands-on leadership, it was in danger of being adversely impacted by the lack of cash for investment. Its needs are modest and looking forward the management team are now being encouraged to seek growth opportunities even where they require investment. The Division is strongly cash generative and it can readily fund the levels of investment required from its own resources.

Dividend

Given the financial performance and position of the Group, the Board is not recommending the payment of a dividend for the 2019 financial year (2018: nil). The payment of dividends will only recommence when the Group's finances are on a more stable and stronger footing and no dividend is envisaged to be paid in respect of the current year.

Governance

Details of the Board's governance actions are set out in the Governance section of this report. As part of the Board's programme over the past 18 months it has visited: two of the North American facilities, including a day focused on Group strategy with the three Divisional CEOs participating; and both the UK CTP facility and Wipac where factory visits and presentations from local management were received. In the same period, I have personally visited all of the Group's operations bar two. An improved senior management succession planning process was introduced in the year and the Senior Independent Director ("SID"), Peter Slabbert, led a full evaluation of the Board towards the end of the period. In the current challenging circumstances, the frequency of Board meetings and calls has increased significantly, and I would like to thank all the directors and the company secretary for fully embracing the increased workload.

In this regard, the Board was also fully involved during Summer 2018 in dealing with the interest of Consort Medical plc in acquiring the Carclo Group. The Board fully engaged with Consort but after presentations and discussions, Consort decided not to pursue their interest any further as they determined, as the Board had anticipated at the outset of the process, that Carclo did not make a good strategic fit for their business.

Board Changes

There were a number of changes to the Board during the 2019 financial year: Joe Oatley joined in July 2018 as a Non-Executive Director and Sarah Matthews-DeMers in July 2018 as Group Finance Director. I then took over from Mike Derbyshire as Chairman at the conclusion of the AGM on 19 July 2018.

In January 2019, following disappointing results from Wipac, the Group CEO, Chris Malley stepped down from the Board and I became Executive Chairman on an interim basis, whilst a Group CEO was recruited.

In July 2019, Sarah Matthews-DeMers informed the Board that she would be leaving the Group towards the end of October to take up the CFO role at AB Dynamics plc. In her short time with the Group, Sarah has worked tirelessly on behalf of the Company and has made a strong positive impression with everybody she has met. The Board wishes her well for the future. Ed Watkinson was appointed as Group Chief Finance Officer designate on 30 September 2019 and took over on Sarah's departure. It is currently planned that Ed will fill the Group Chief Finance Officer role on an interim basis and will not, at least initially, join the Board.

Antony Collins, who has been fulfilling the role of Chief Restructuring Officer since he joined the Group at the end of May 2019, has been appointed as the Group Chief Executive and joined the Board with effect from 1 October 2019. At this time, I ceased to act in an Executive capacity and returned to a Non-executive Chairman role. It is currently planned that Antony will fill the Group Chief Executive Officer role on an interim basis whilst the ongoing restructuring of the Group is completed and a platform from which to set the long-term strategy is established.

Recognition should also be given to Chris Malley and Mike Derbyshire, for their respective six- and twelve-years' service on the Board, and to Richard Ottaway who stepped up to act as Interim Group Finance Director prior to Sarah joining the Group.

Employees

The past year has seen the CTP and Aerospace businesses making encouraging operational and financial improvements for which the Board would like to thank all their employees. In addition, the Board fully recognises the hard work and commitment of many of Wipac's employees, operating in often difficult circumstances during the year.

Going Concern

The accounts for 2019 have been prepared on a going concern basis, with existing bank facilities having been extended until January 2021 and agreement having been reached with the Pension Trustee for the level of company contributions to the pension scheme over the same period. The forecast projections for the Group's performance over this fifteen-month period have been reviewed by the Directors and the Board has concluded that, whilst there is a material uncertainty that may cast significant doubt upon the ability to continue as a going concern, subject to the successful disposal of the Wipac business in the near-term or, in the absence of this, to appropriate actions being taken to protect the Group from Wipac's underlying losses and subject to the ongoing support of the Group's lending bank, the Group should be able to continue in operation and meet its liabilities as they fall due over the period considered.

Outlook

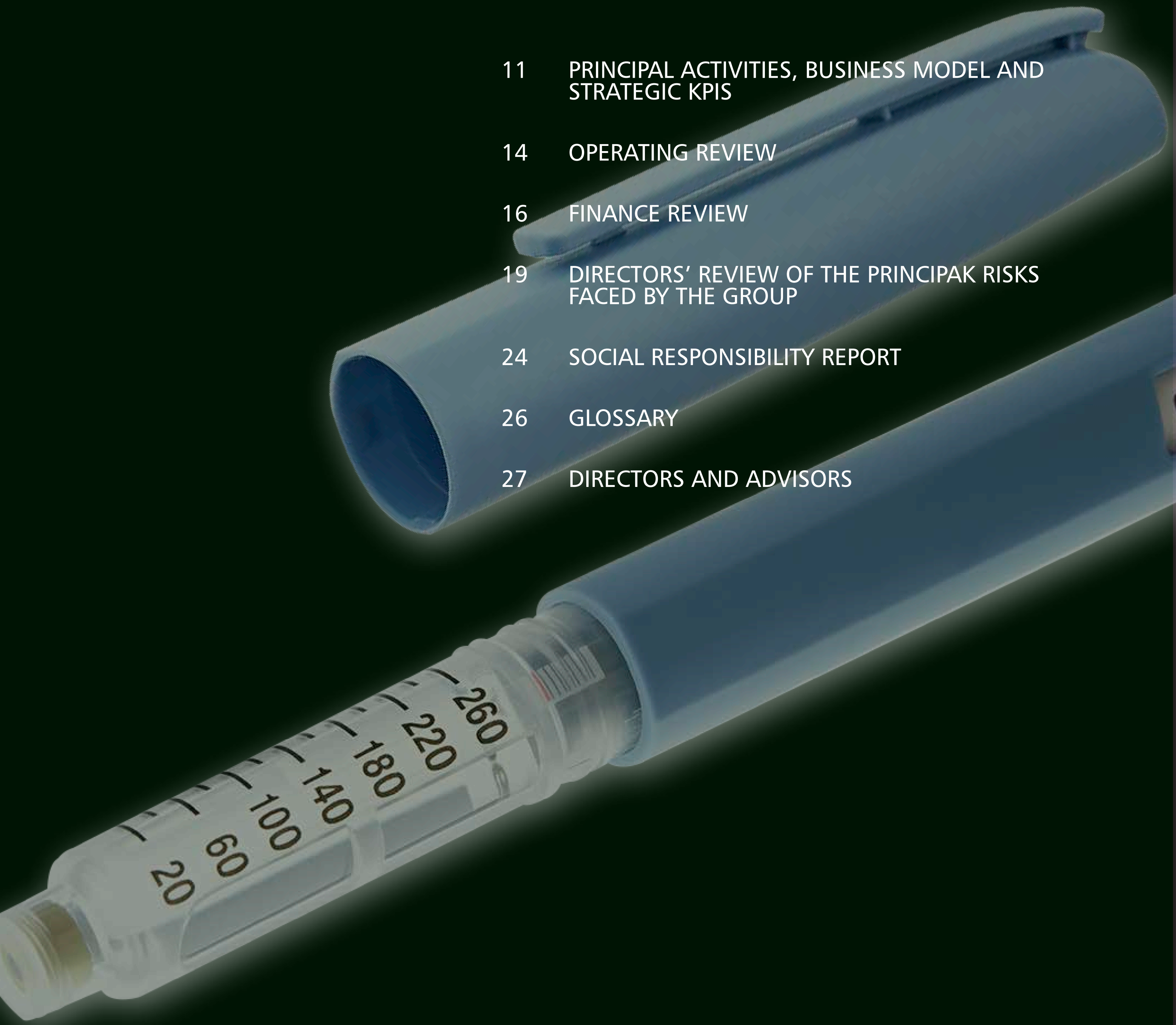
CTP continues to make solid cash generative progress and the results for the Division, for the financial year to 31 March 2020 ("2020"), are expected to be ahead of those for 2019. Aerospace, operating in a niche but limited growth market, is anticipated to again deliver healthily profitable results in 2020, albeit at a slightly lower margin than in 2019. However, the outlook for the year for the Wipac business is uncertain and its near-term future is dependent upon continued support from customers and the success of the ongoing sale process. Pleasingly, since the year end, the Group's net debt has reduced due to receipt of payments for Wipac design and development programmes and the cash generation of the CTP and Aerospace divisions. The Board believes it is taking the right actions to establish a solid platform from which the Group can build on the strengths of the CTP and Aerospace businesses, but the Group's financing position remains a risk whilst this restructuring is ongoing.

Mark Rollins

Chairman

31 October 2019

strategic report



principal activities, business model and strategic KPIs

Principal activities

Carclo plc is a public company whose shares are quoted on the Main Market of the London Stock Exchange.

Carclo has two main operating Divisions that manufacture injection moulded components and systems for its international customer base. Carclo Technical Plastics Division is focused on supporting the growing global medical device market and supplies consumables and products for this sector from multiple international manufacturing sites. CTP is operating in growing but competitive markets and aims to be seen by its customers to be innovative, fast moving and more flexible than, mainly larger, competitors. LED Division designs and manufactures assembled lighting systems and components mainly for the premium, luxury and supercar automotive sector.

The Aerospace Division is a leading supplier of aviation control cables in Europe.

The Group’s strategy is to deliver cash generative growth from its existing growing markets.

principal activities, business model and strategic KPIs CONTINUED

Business Model

Our business model is to develop a cash generative business with sustainable growth in operating profits through the implementation of innovative and efficient solutions for our customers to ensure that they see real benefits accruing from working in partnership with us.

Customer Interactions

We serve customers across multiple geographies and various industries and we continually monitor both their formal and informal feedback and attempt to respond accordingly.

Our customers look to us for innovation in our design and manufacturing processes.

Customer Satisfaction

In all cases our customers have selected us over our competitors, and we recognise that this decision is based on their faith in our ability to meet or exceed their expectations. Each of our businesses monitor all aspects of our customer performance and this is continually fed back to our employees. Following recent operational issues in Wipac, we are working very closely with its customers, with the common goal of limiting the impact of Wipac's operational issues on both customers and the wider Carclo group.

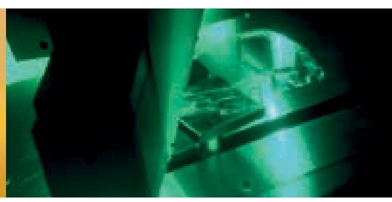
Global Footprint

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

Responsive Culture

We operate with a flat and decentralised management structure in order to make fast and responsive decisions to the benefit of our customers, employees and ultimately for the Group as a whole. We expect our management teams to operate in an entrepreneurial manner and reward them based on their own local business performance.



Strategic KPIs

To enable our performance to be tracked against our growth strategy, we have historically focused on the following key performance indicators ("KPIs"). In light of the revised focus on the CTP and Aerospace Divisions since the year end, we will be defining a new set of KPIs appropriate to the ongoing business.

KPIs for the year ended 31 March 2019:

Revenue Growth

Definition and method of calculation

Revenue growth measures the change in revenue against the prior year.

Explanation of importance

Helps to monitor our success in growing the business.

Underlying Operating Profit Margin

Definition and method of calculation

Underlying operating profit margin measures the underlying operating profit as a percentage of revenue.

Explanation of importance

Helps to monitor our success in turning sales into profits.

Return on Capital Employed

Definition and method of calculation

Return on capital employed measures the underlying operating profit as a percentage of average capital employed calculated as the average of the opening equity plus net debt and closing equity plus net debt. 2018 includes the impact of the acquisitions of Precision Tool and Die and FLTC (Europe) a.s. which were made in 2017. The underlying operating profit of and the investment in CIT Technology, Carclo Diagnostic Solutions and Platform Diagnostics have been excluded from this measure in all periods presented following the Group's decision to invest no further in these businesses and in order to give a meaningful benchmark for future comparison. This measure has replaced the previous return on investment calculation as it is believed it is clearer and easier to understand.

Explanation of importance

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

operating review

While the business made progress in the Carclo Technical Plastics and Aerospace Divisions, trading results were significantly below the Board's expectations and the prior year due to significant operational issues in the LED Technologies Division.

Group revenue decreased by 1.0% to £144.9m (2018: £146.2m). Proforma[1] unaudited adjusted operating profit was down £2.4m to £8.4m (2018: £10.8m) and proforma unaudited adjusted earnings before interest, tax, depreciation and amortisation ('EBITDA') fell £1.8m to £14.0m. Underlying[2] operating profit was down £9.5m to £1.3m (2018: £10.8m).

The statutory operating loss was £12.6m (2018 profit: £9.9m) with statutory loss before tax of £14.7m (2018: profit of £8.2m).

Divisional review

Carclo Technical Plastics ('CTP')

In CTP, solid progress was made in the second half of the year with the planned operational improvement programme delivering encouraging results, albeit at a slower rate than anticipated. As a result, full year underlying operating profits for this Division were slightly up on the prior year at £6.8m (2018: £6.7m) with the second half much improved over the first. Statutory operating profit was £6.5m (2018: £6.6m).

Revenue grew by 1% to £90.8m (2018: £89.7m) as a result of the ramp up of a number of new programmes in the UK and improved sales in the US and India, offset by currency movements. Underlying operating margin increased from 7.4% to 7.5%, improving significantly in the second half, reaching 9.2% for that period, as the labour shortages and programme delays experienced in the first half of the year were resolved.

Our US business continued to experience operational challenges through the first half of the year due to direct labour shortages. A significant investment in employee welfare has been made and while labour turnover remains higher than we would like, the position has stabilised. Changes to shift patterns along with new recruitment procedures and improved training led to improvements in the second half. We appointed a new US Operations Director and a Continuous Improvement Director at our main Pennsylvania operation, with this new management team focused on operational and other efficiency improvements under our previously highlighted operational improvements programme.

In the UK, margins have improved as new production programmes have commenced, using the additional capacity at the Mitcham facility which was put in place last year.

In India, the mainly non-medical business has seen healthy growth with a better mix of higher margin products. We recently obtained approval to supply medical work from this facility, in line with our strategy of focusing on this market, and have now been awarded the first medical programme.

Our facility in China experienced some issues with de-stocking in the local market; however, overall margins have been maintained through efficiency and commercial efforts. To date there has been no significant impact of the US trade tariffs although we continue to monitor this closely. Recent new customer wins bode well for the long-term prospects of the business.

Our Czech business has addressed the labour shortages experienced in the prior year and has benefited from a new medical production programme which commenced during the second half. As one of our non-medical programmes was scheduled to finish shortly after the year end, in October we announced plans to reduce the footprint of this facility to further improve the site's future profitability. We expect to generate annual cost savings of £0.2m, with a payback of c.2 years on restructuring costs of c.£0.4m, the majority of which are non-cash. This supports our strategy of increasing our focus on medical work within the division.

Outlook

Operating margins in CTP are expected to continue to improve year on year in 2020 as volumes in new contracts ramp up and further commercial and operational improvements are delivered. We have implemented a number of price increases, efficiency improvements and cost savings across the division, the benefits of which are expected to positively impact margins in the coming year.

LED Technologies

Revenue fell by £3.3m or 6.5% to £47.3m (2018: £50.6m). Production revenues increased by 24% while design, development and tooling revenues decreased by 41% after the exit of the mid-volume business.

Proforma unaudited adjusted operating profit fell to £3.2m (2018: £6.4m) while the equivalent operating margin reduced from 12.7% to 6.9% as a result of the operational issues associated with many new programmes being launched into a weak production environment. Following the year end, the decision was taken to exit

[1]Proforma adjusted profit is defined as profit before all exceptional items and the proforma unaudited exceptional price concession on exit from the mid-volume automotive business.

[2]Underlying profit is defined as profit before all exceptional items, excluding the proforma unaudited exceptional price concession on exit from the mid-volume business.

the mid-volume automotive business which was accompanied by agreed one-off price concessions with customers. Following this decision, the Division has recognized the effects of these price concessions as an additional loss in 2019 of £7.1m, which contributed to an underlying operating loss of £3.9m (2018: profit £6.4m).

Statutory operating loss for the LED Technologies Division was £13.3m (2018 profit: £6.4m).

Wipac, the main operating business in the Group's LED Technologies Division, had been very successful in winning low-volume automotive lighting programmes together with more recent wins in the mid-volume range. As reported at the half year, an unprecedented number of these low-volume programmes were launched into production during the year into what became clear was an unstable manufacturing environment and the business initially struggled to meet customer requirements. Unfortunately, this situation worsened in the third quarter as the short term operational growing pains continued longer than anticipated with demand continuing to grow. The consequences of this have been significant with adverse operational variances, expedited freight deliveries and poor customer service leading to additional unplanned costs and to delays in new programme awards.

Previously, the business's strategic objective was to move into mid-volume vehicle programmes. The first of these mid-volume programmes moved into production during the year; two more were scheduled for early in the next financial year. During the year Wipac was also nominated to supply lighting for two new mid-volume electric vehicles. One of these programmes required a new manufacturing facility to be set up in the US with significant capital investment and working capital requirements.

This move required significant investment in a number of areas in advance of the anticipated revenue growth, including investment in engineering and support services, and additional warehousing and office space, which in turn led to an increase in overheads. Customers in this segment of the market generally pay for design, development and tooling in arrears. With the increased complexity of larger projects, there were a number of delays and issues with validation of the production tooling leading to a significant build in working capital.

The business was stretched beyond its current operational capabilities and following the year end, Wipac operating losses increased significantly, with the business continuing to struggle to meet increasing customer demand. As a result, the Board took the strategic decision to refocus the operation on its historic low-volume high-end vehicle markets where it had previously been financially successful. Following discussions with customers, it was agreed that alternative suppliers would be found for the new US programme and two of the other mid-volume programmes, whilst two of the smaller mid-volume contracts would be retained.

As well as managing the smooth exit of certain programmes, focus has been placed on significantly reducing the Group's future cash requirements for working capital and capital expenditure, with a detailed plan put in place to turn around the financial and operational performance of the ongoing Wipac business. The plan has two major elements to it: customer support and operational self-help. The Wipac business is currently incurring significant losses and increased levels of temporary customer support are helping to meet its short-term cashflow needs.

Discussions with customers for earlier than planned reimbursement of amounts incurred by Wipac for the design and development of future production programmes were successful, with a total of £19.0m received in cash since the year end. This money was used to pay overdue suppliers and to reduce the level of Group net debt.

The carrying value of the LED Division has been reviewed in light of the operational issues and an impairment loss of £8.5m has been recognised, being £1.1m as full impairment of the goodwill relating to LED, £7.1m against LED tangible fixed assets and £0.3m against LED intangible assets.

Outlook

The Group received a number of approaches from parties, both trade and financial, interested in the potential acquisition of Wipac. Discussions with these parties are ongoing but there is no certainty that a sale of Wipac will occur. Since the year end, the Wipac business has been classified as held for sale. It is currently receiving significant financial support from its customers pending a sale of the business. In the event that no sale occurs, the Board will need to assess the future options for this business.

Aerospace

Revenue increased by £0.7m to £6.7m (2018: £6.0m) and underlying operating profit increased 74% to £1.3m (2018: £0.7m), as a result of cost control and a beneficial sales mix.

Spares demand has stabilised and some new programmes have moved into serial production during the year.

This business continues to be both profitable and cash generative, with ongoing investment requirements being funded by the business itself.

Outlook

The prospects for this business remain encouraging, although 2020 is expected to deliver slightly lower margins due to greater investment in human capital to ensure sustained future performance.

Key Performance Indicators ('KPIs')

Historically our three primary KPIs have focused on Return on Capital Employed, revenue growth and operating margin and these are detailed on page 13. In light of the revised focus on the CTP and Aerospace Divisions since the year end, we will be defining a new set of KPIs appropriate to the ongoing business.

Alongside these KPIs we have a range of other important internal KPIs which cover health and safety performance, Overall Equipment Effectiveness ('OEE'), employee retention, customer satisfaction, delivery performance and cash collection.

finance review

Trading performance

Revenue decreased 1% to £144.9m (2018: £146.2m) with CTP up 1%, LED Technologies down 7% and Aerospace up 13%.

Proforma[1] unaudited adjusted operating profit decreased to £8.4m (2018: £10.8m) and proforma unaudited adjusted earnings before interest, taxation, depreciation and amortisation declined to £14.0m (2018: £15.8m). This represents a return on sales (defined as EBITDA divided by revenue) of 10% (2018: 11%). Underlying[2] operating profit was £1.3m (2018: £10.8m).

CTP and Aerospace underlying operating profits grew by 3% and 74% respectively, however the operational issues experienced in Wipac resulted in a 49% decrease in proforma unaudited adjusted operating profits over the prior year for the LED Division.

After net interest of £2.1m (2018: £1.7m), proforma unaudited adjusted profit before tax was £6.4m (2018: £9.1m).

Net bank interest increased £0.2m to £1.1m, reflecting the Group's higher average debt during the year as a result of the working capital build in advance of the launch of a number of new medium volume contracts in LED Technologies. The pension finance charge remained constant at £0.8m.

The Group proforma unaudited adjusted tax charge totalled £1.2m (2018: £1.9m), a proforma unaudited adjusted effective tax rate of 19.2% (2018: 20.6%). The effective tax rate is higher than the current UK corporation tax rate because a large proportion of the Group's profits are generated in the US and India where the corporation tax rates are higher than the UK.

Basic proforma unaudited adjusted earnings per share were 7.0p (2018: 9.8p).

As set out in Note 7, the exceptional price concession of £7.1m related to the strategic decision to exit from the mid-volume automotive business. Exceptional items totalled £13.9m of which £8.5m relates to impairment of the LED Technologies Division which has been written down to its recoverable amount. The remainder relates to one-off items in relation to the operational issues at Wipac, including stock write-offs, impairment charges and consultants' costs. In addition, exceptional costs were incurred in respect of the restructuring of the Czech facility, Board changes, other recruitment and redundancy costs and pensions GMP equalisation.

Statutory operating loss from continuing operations was £12.6m (2018: £9.9m profit), and after statutory finance expenses of £2.1m (2018: £1.7m), statutory loss before tax was £14.7m (2018: £8.2m profit), giving a statutory loss per share of 25.4p (2018: 11.6p earnings). The statutory tax charge was £4.0m, compared with a tax credit in 2018 of £0.3m, as the prior year benefited from a reduction in deferred tax liabilities from the introduction of lower tax rates in the US. A reconciliation of statutory to underlying non-GAAP financial measures is provided on page 127.

Net debt

Net debt at the end of the year was £38.5m (2018: net debt of £31.5m). Operating activities generated cash of £1.8m (2018: £3.5m) as the move into mid-volume production resulted in a working capital build of £2.9m, mainly in relation to design, development and tooling programmes in the LED Technologies Division.

In the year, the Group invested £7.0m (2018: £9.1m) in property, plant and equipment, and software, mainly in relation to plant and machinery to support new programme wins in the CTP Division. This represented 126% of the total Group depreciation charge.

Pension contributions totalled £1.7m (2018: £1.9m), being £1.2m of deficit recovery payments and £0.5m in relation to scheme administration costs.

At the year end, total UK bank facilities were £47.0m of which £30.0m related to a revolving credit facility and £17.0m to an overdraft facility. £44.0m was drawn at the year end. The medium-term multi-currency revolving credit facility which was due to expire in March 2020 has been extended post year-end to 31 January 2021. £2m of the overdraft facility expired on 1 July 2019, as tooling payments were received from customers, with the overdraft facility reduced by a further £5m, to £10m, in September 2019 due to the reduction in net debt as a result of the cash received from Wipac's customers for design and development programmes.

Under the bank facility agreement, the Group's bank holds security in the form of guarantees from certain Group companies and fixed and floating charges over the current assets of the Group's three main UK trading subsidiaries.

The two main covenants in the facility agreement are underlying interest cover and the ratio of net debt to underlying EBITDA. The interest cover covenant was met at 31 March 2019. The net debt covenant was deferred to July 2019 and has subsequently been waived as part of the facility extension but had the covenant been tested at 31 March 2019, net debt would have been 2.74 times proforma unaudited adjusted EBITDA (which is aligned to how the covenants will be tested going forwards) against the covenant of 2.75 times. As part of the extension of the revolving credit facility, two new covenants have been included from 30 September 2019 in relation to guarantor revenue and guarantor EBITDA and existing covenants have been reset in line with the updated forecasts.

[1]Proforma unaudited adjusted profit is defined as profit before all exceptional items and after adding back the proforma unaudited exceptional price concessions on exit from the mid-volume automotive business.

[2]Underlying profit is defined as profit before all exceptional items, excluding the proforma unaudited exceptional price concession on exit from the mid-volume business.

Pensions

The deficit on the Group's pension scheme, which has been closed to future accrual, moved from a deficit of £29.8m at 31 March 2018 to a deficit of £49.1m at 31 March 2019. The movement resulted from an increase in liabilities as the AA corporate bond rate has fallen and longevity has increased as a result of an updated mortality study, as well as the requirement to account for guaranteed minimum pension ('GMP') benefit equalisation. This was partially offset by strong performance from our return-seeking assets and liability-driven investment.

In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that pension schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The impact on the Group's scheme has been to increase liabilities by 1.68% or £3.6m which has been classified as an exceptional item in the income statement.

During 2019, the Group paid total contributions of £1.7m (2018: £1.9m), including scheme administration costs of £0.5m and £1.2m deficit recovery contributions.

The last triennial actuarial valuation as at 31 March 2015 showed the scheme to be 80.3% funded on a continuing basis.

The next triennial valuation as at 31 March 2018 was due to be finalised by 30 June 2019 but discussions regarding the assumptions and the level of contributions are still ongoing. A revised schedule of contributions has been agreed as follows:

2020: £2.0m including expenses

2021: £2.3m for 10 months to 31 January 2021, including expenses.

These are to be paid in monthly instalments. Contributions for the period after 31 January 2021 will be agreed as part of finalising the actuarial valuation.

Treasury

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

Each business hedges significant transactional exposure using forward foreign exchange contracts for any exposure over £20,000. The Group reports trading results of overseas subsidiaries based on average rates of exchange compared with sterling over the year. This income statement translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the income statement is exposed to movements in the US dollar, Euro, Czech Koruna and Indian Rupee. Based on the 2019 results, a 10% increase in the value of sterling against these currencies would have increased reported loss before tax by £1.5m.

The Group is exposed to interest rate fluctuations and with net debt of £38.5m, a 1% movement in interest rates would impact the interest costs by £0.6m.

Dividend

Given the level of net debt, no dividend payment was made during the year and none is proposed. The Board intends to recommence dividend payments only when it becomes confident that a sustainable and regular dividend can be introduced.

Alternative Performance Measures

In the analysis of the Group's financial performance and 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.

The annual report 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 127.

After the year end, the strategic decision was taken to exit from the mid volume automotive business. As part of this exit process, one-off price concessions totalling £7.1m were given on certain mid-volume contracts. An additional performance measure, "proforma unaudited adjusted profit" is given which is defined as profit before exceptional items and before the proforma unaudited exceptional price concession on exit from the mid-volume automotive business. The Directors believe that disclosure of this additional performance measure is useful to aid understanding of the performance of the business excluding the impact of the strategic decision taken to exit from this sector.

We provide comparatives alongside all current year figures. The terms 'underlying' and 'proforma unaudited adjusted' are not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

finance review CONTINUED

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

	Statutory	Exceptional items	Underlying	Unaudited proforma adjustment	Unaudited proforma adjusted
CTP operating profit (£m)	6.5	0.3	6.8	-	6.8
LED Technologies operating (loss) / profit (£m)	(13.3)	9.4	(3.9)	7.1	3.2
Aerospace operating profit (£m)	1.3	-	1.3	-	1.3
Central costs (£m)	(7.1)	4.2	(2.9)	-	(2.9)
Group operating (loss) / profit (£m)	(12.6)	13.9	1.3	7.1	8.4
Other finance expense (£m)	(2.1)	-	(2.1)	-	(2.1)
Group (loss) / profit before taxation (£m)	(14.7)	13.9	(0.8)	7.1	6.3
Taxation (£m)	(4.0)	2.8	(1.2)	-	(1.2)
Group (loss) / profit for the year (£m)	(18.7)	16.7	(2.0)	7.1	5.1
Basic loss per share (pence)	(25.4)		(2.7)		7.0

The adjustments comprise:

£m	CTP	LED	Central	Total
Redundancies and restructuring costs	0.3		0.4	0.7
One-off costs in relation to Wipac operational issues		0.9		0.9
Board recruitment fees			0.2	0.2
Defined benefit pension scheme GMP equalisation			3.6	3.6
Impairment charge		8.5		8.5
	0.3	**9.4**	**4.2**	**13.9**
Proforma unaudited exceptional price concession		7.1		7.1
	0.3	**16.5**	**4.2**	**21.0**
Taxation (1)			2.8	2.8
	0.3	**16.5**	**7.0**	**23.8**

(1) The taxation adjustment comprises the write down in the UK deferred tax asset of £2.9m and (£0.1m) of other items.

directors' review of the principal risks faced by the group

The Board is responsible for determining the nature and extent of the risks it is willing to take in delivering the Group's strategy. The Board undertakes risk management to improve understanding of the actual and potential risks to our business as well as its resilience, performance, sustainability and success, to enable it to assess and respond to new opportunities as they arise and to provide fair and balanced information to shareholders and potential shareholders.




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

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

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

Management takes ownership of the specific risks with the likely causes and effects recorded within the risk register. These are maintained and challenged at site level. The risks are scored based on likelihood and severity to enable the significant risks to be readily identified and the appropriateness of mitigations considered. The risk registers are reviewed, challenged and debated to keep them up to date and relevant to our strategy. Risks are escalated as appropriate.

During the year all the key risks identified by the sites were evaluated with the fifteen highest scoring risks reviewed in detail at the Finance & Risk Management Committee. This Committee then proposed the risks that it considered key to the running of the business for evaluation at the Main Board meeting.

The Board carried out a review of effectiveness which concluded that, whilst the risk management process had been in place during the year and was operating as documented, it had failed to highlight the risk factors that led to the significant operational and financing issues in the LED Technologies Division.

The effectiveness of the process is under review. A standing risk schedule will now be included in the Board meeting papers which details the key risks currently identified alongside their mitigations and status of actions. This also includes emerging risks as identified at Group Steering Committee, Finance & Risk Management Committee and Board meetings and instances of incurred losses against identified risks to enable assessment of the appropriateness of the mitigations.

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

The responsibilities of the Audit Committee are explained on pages 38 and 39. These responsibilities include the reviewing of the Group's risk management systems. These are primarily designed to mitigate risk down to an acceptable level, rather than completely eliminate the risk, and the review can provide only reasonable and not absolute assurance of effective operation, compliance with laws and regulations and against material misstatement or loss.

directors' review of the principal risks faced by the group CONTINUED

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

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

Funding and banking covenants

Medium term committed bank facilities have been agreed which include a number of financial covenants which are normal for facilities of this type. The facilities were due for renewal in March 2020 but have been extended to 31 January 2021.

The net debt to EBITDA covenant test due on 31 March 2019 was deferred by the bank to July 2019, but had it been tested, the ratio would have been 2.74x compared with the required 2.75x. The covenant tests for the period after the year-end have been renegotiated with the bank as part of the facility extension and are expected to be met, although with limited headroom.

The Group also had a UK overdraft facility of £17m of which £13.7m was drawn at the year-end. This facility reduced to £15m in July 2019 and to £10m in September 2019 as tooling receipts were collected from customers. This, by its nature, can be withdrawn at any time and whilst HSBC has indicated their continued support, further discussion of the risk of funding withdrawal is given in the Directors' Report.

Operational execution risk

Poor operational performance could lead to increased costs, reduction in margins, late deliveries and customer service issues, putting pressure on results and cash flows. Good progress has been made in the Technical Plastics Division with management changes and a focus on operational excellence and cash generation having an impact. The Wipac operational improvement measures implemented after the year end have also started to have some limited effect, although Wipac still remains reliant on customer support for its funding needs.

Along with the strengthened management team, improved operational KPIs have now been put in place in CTP which enable better monitoring and early identification of potential issues.

Reliance on major customers

The proportion of revenues generated from the top five customers in the year was 47.3% (2018 – 48.3%). One medical customer accounted for 17.2% of revenues (2018 – 17.6%) and one supercar customer accounted for 13.1% of revenues (2018 – 16.2%). No other customer accounted for more than 10.0% of revenues in the year or prior year. Following any disposal of Wipac, the significance of the medical customer will increase.

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

The position of having a small customer base can be attributed to a number of factors, including efforts being concentrated on gaining and building relationships with major companies. Globalisation and customer acquisition policy has also meant that across the Group we are increasingly dealing with different trading arms of the same global entity. We have made acquisitions in recent years to assist in expanding our major customer base.

One risk of relying on a small customer base is the potential impact to the Group of losing either current or future business as a result of our underperformance. We aim to mitigate this risk by a focus on customer service and operational performance.

There does remain an associated risk in the potential loss of such customers either through competitive pressures, relocation or insolvency. Such risks are mitigated through being able to offer world-class quality and costs, flexibility in manufacturing location and, in the case of insolvency, through the application of credit insurance across the Group.

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

Reliance on major projects

Carclo is reliant on the timing of and completion of longer-term tooling and manufacturing contracts as awarded by our customers. Whilst Carclo has a strong track record of securing these contracts – delays can affect the timing of profit recognition (in respect of which financial year it relates to) and related cashflows. In the automotive business, higher volume customers typically pay for the cost of design and development work over the initial production schedules, giving rise to a significant investment in working capital. This risk would decrease significantly following any disposal of Wipac.

We attempt to mitigate these risks by working closely with our customers and suppliers, and also by growing the percentage of product sales as a proportion of total sales, enabling us to place less reliance on tooling programmes.

Management bandwidth

From January to September 2019, the Group was operating without a permanent Chief Executive, with the Chairman, Mark Rollins, acting as an Executive Chairman and the Group Finance Director, Sarah Matthews-DeMers taking on the remaining tasks. To supplement the resource and experience available, in May 2019 the Group appointed a Chief Restructuring Officer, Antony Collins, who has now been appointed as the interim Group Chief Executive and joined the Board with effect from 1 October 2019. As announced on 25 September 2019, following the resignation of Sarah Matthews-DeMers, Ed Watkinson has been appointed Group Finance Officer Designate. The Group is also supported by its advisers.

Pensions

Carclo's UK defined benefit pension scheme is mature and is large compared with the size of Carclo. The scheme is backed by substantial assets amounting to £166.3m at 31 March 2019 (2018 - £170.1m).

The triennial actuarial pension valuation as at 31 March 2018 is now overdue, with the recent challenges faced by the Group as a result of the ongoing operational problems at Wipac, likely to lead to the pension trustees adopting a more conservative set of future actuarial assumptions. The pension deficit, and hence the required annual deficit recovery payments are therefore expected to increase once the valuation is finalised. Whilst the current expectation, through discussions with the Pension Trustee, is that the Group will be able to fund these increased contributions, their level has not yet been finalised and the risk therefore remains that the contributions might be in excess of the Group's funding capacity. An agreement has been received with the trustees to limit the contributions until January 2021 at £225,000 per month, including expenses.

Agreement of an affordable schedule of contributions for the period after January 2021 is critical to the Group's ability to continue to operate within its available bank facilities.

Small adjustments to the assumptions used to calculate the pension liability, or significant swings in bond yields or stock markets, can have a large impact in absolute terms on the net assets of the Company and Group. A decrease in the discount rate by 0.25% per annum (i.e. 2.40% to 2.15%) would increase the scheme liabilities by 3.60% i.e. £7.8m. An increase in the rate of inflation by 0.25% per annum (i.e. 2.20% to 2.45%) would increase the scheme liabilities by 2.00% i.e. £4.3m. An increase in life expectancy of 1 year would increase the scheme liabilities by 3.8% i.e. £8.2m.

The impact of the pension deficit on the level of distributable reserves is monitored on an on-going basis. Monitoring improves planning for any potential adverse swings and helps the Group to assess the likely impact on distributable reserves. The development of an investment strategy that seeks to mitigate risk (utilising diversified growth funds and liability driven investments) has restricted volatility to some degree.

In addition, the Group and the trustees continue to explore liability management possibilities (including Enhanced Transfer Values) with assistance from our advisers. These are designed to allow certain members to leave the scheme which reduces the uncertainty for the Group.

In addition, the Group has in recent years offered eligible pensioners the option to switch from a pension with indexed linked pension increases to a higher fixed pension with no future increases.

Further details can be found in note 22 of the report and accounts.

Global economy

It is inevitable that for a global entity such as Carclo international events outside of our control will leave us potentially exposed to volatility and insecurity both in respect of our own business and the customers served by the Group and this raises the risk profile for all businesses.

Carclo has high operational gearing and a large risk currently faced by the Group remains a sharp reduction in demand should global economic output reduce. Carclo serves a number of markets, such as medical and supercar markets, which have remained mostly detached from general consumer activity and as such have, to date, been comparatively unaffected by the uncertainty in global demand. However, should these markets be impacted then Carclo has a proven track record of acting swiftly to rebalance the supply base with demand.

Growth is inevitably impacted by a number of factors outside our control, such as the impact of the oil price on the energy market and the volatility in markets. Our focus on major blue-chip multinationals together with appropriate contingency planning, helps to mitigate the impact on the business of such changes and events.

Political uncertainty including 'Brexit'

Political uncertainty such as the impact of Brexit and other overseas trade issues such as US trade tariffs can naturally affect decisions by our customers to invest and therefore impact on our trading.

We have a central team in place to review and assess the impact as more information becomes available and we are engaging with trade associations which are in contact with government.

Whilst we continue to monitor and review competitive intelligence, we continue to focus on cost efficiency opportunities and on further differentiating our business by developing new growth plans and developing our ability to provide a stronger product for our customers.

Ultimately Carclo will be able to continue to trade with member states and the Group will take guidance on any new trading regulations when the UK exits the European Union. As the Group operates in some countries which are outside of Europe and the EU this should help lessen any impact or disruption caused by an exit. In addition, approximately two thirds of Carclo's UK based businesses' revenues are derived from the UK, which further lessens the impact of the risk.

Discussions have been held with a number of customers in relation to stock builds in advance of Brexit and impact on the supply chain. Plans are also being discussed to supply some of the UK entity's European customers from our plant in the Czech Republic.

directors' review of the principal risks faced by the group CONTINUED

IT security breach / system failures

Hacking and data security are an increasing concern for businesses. In Carclo's case it being a listed company, introduces real risk. We trust our IT systems to process a significant number of transactions each day. These systems contain highly confidential information about our customers, employees and shareholders. Breaches of IT security may result in unauthorised access to or loss of confidential information.

An IT security breach may lead to loss of business, reputational damage, litigation and regulatory investigation and penalties.

A breakdown or system failure may lead to major disruption for the businesses within the Group especially if network access is lost. The impact could have significant operational and financial ramifications if connection is unable to be restored quickly.

Carclo uses a security password protected firewall to help minimise the risk of fraudsters hacking into the system and maintains up to date antivirus solutions. In addition, IT management perform regular risk reviews to help keep data secure. In an ever-changing environment this serves to protect the information that we are entrusted with.

The business has a defined Disaster Recovery ("DR") procedure assisted by a third-party support company. DR tests are performed annually, and a successful test was performed in February 2019. As part of a rolling programme for IT improvements, a proof of concept solution is being built that will reduce our dependency on tape backups and improve response time should a DR event occur. Once proven this solution will replace the requirement for the third-party support company and shorten a DR events downtime. The same DR solution will improve business continuity for the finance system. Working with our communications partners we are replacing our MPLS network over the coming year to improve network resilience and increase network bandwidth.

Viability Statement

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

A robust assessment of the principal risks facing the business was conducted including those that would threaten its business model, future performance, solvency or liquidity, along with a detailed review of the budget for the year ending 31 March 2020 and the forecasts for the year ending 31 March 2021.

As discussed in the going concern assessment, there are a number of contingent events that have the potential to impact the Group's operations and available funding. With this in mind, the Board has concluded that it is appropriate to perform the Group's viability assessment over the period to January 2021 which is in line with date to which the Group has a committed facility agreed with the bank and agreed contributions to the pension scheme. The Board has then considered whether it is aware of any specific relevant factors beyond the fifteen-month horizon and concluded that there are none except for those disclosed below.

The Board has undertaken a detailed review of the Group's current financial position and considered a number of risks including:

- Reduction in available funding and ability to meet banking covenants
- Operational underperformance
- Reliance on major customers and major projects
- Ability to fund ongoing pension contributions
- Deterioration in the current macroeconomic environment, foreign exchange rates and uncertainty due to Brexit

The risks and their mitigations are described above on pages 19 to 22.

The assumptions on which the forecast is based include:

- Disposal of Wipac
- Suppliers continue to offer normal credit terms
- Customers continue to pay invoices to terms
- New sales programmes ramp up as forecast
- Capital investment projects complete on time and on budget

The longer-term future of the Group is dependent on:

- Availability of adequate bank funding post January 2021
- Agreement of affordable pension contributions post January 2021

Financial sensitivity modelling was undertaken to assess the impact of these risks on the Group's forecasts, including the impact on the business model, future performance, solvency and liquidity over the period. As disclosed in the discussion of the going concern assessment on pages 30 and 31, the impact of a material reduction in cash flows from any of the above scenarios could impact on the Group's ability to meet banking covenants and operate within the available bank facility in the short term. In addition, the Group will need to agree adequate bank facilities and affordable pension contributions once the current bank and pension agreements expire in January 2021.

The Board has concluded that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the successful disposal of the Wipac business in the near-term or, in the absence of this, to appropriate actions being taken to protect the Group from Wipac's underlying losses and subject to the ongoing support of the Group's lending bank, the Group should be able to continue in operation and meet its liabilities as they fall due over the period considered.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social responsibility report

The Board considers that it is paramount that the Group maintains the highest ethical and professional standards throughout all its undertakings and that social responsibility should remain a key tenet of operations and decision making. It understands the importance of managing the impact that the business can have on employees, customers, suppliers and other stakeholders and feels this impact should be regularly reviewed to maintain constant improvement, which in turn supports the long-term performance and sustainability of the business.

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

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

Social Responsibility Committee

We have established a Group Social Responsibility Committee. This Committee, which is chaired by the Group finance director and includes the Group company secretary and responsible employees from subsidiaries, drives the Group's actions in the fields of global social responsibility, health and safety, bribery and corruption, environmental and climate change policies, charitable support, equality and human and labour rights, whistleblowing and supply chain labour standards. The Committee has been allocated a budget by the Group for use in charitable pursuits.

Employees

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

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

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

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

We believe that the Group should demonstrate a fair gender mix across all levels of our business. At 31 March 2019 29% of our employees identified as female (2018 - 29%). The proportion of women in senior management positions amounted to 10% (2018 – 10%).

Our diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience and education. We believe that the wide array of perspectives that result from such diversity promotes innovation and business success. We operate an equal opportunities policy and provide a healthy environment which will encourage good and productive working relationships within the organisation.

Development

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

We regularly recruit apprentices. Commitment to our apprenticeship programme continues globally with apprentices spread over 5 countries and a number of different disciplines.

Ethical policy

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

Environmental policy

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

It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities. To this end, each subsidiary is audited by the Group's outsourced health, safety and environment manager to:

- benchmark performances across the Group;
- help sites identify and prioritise issues for improvement;
- ensure legal compliance.

The results of audits are communicated directly to the Group steering committee and to all subsidiary boards and appropriate action is taken.

It is the Group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times.

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

Health and safety

A comprehensive health and safety policy is in place to ensure a safe working environment at all times with a plan to ensure that all facilities in all countries meet the requirements of the most exacting location. The health and safety policy also demonstrates our additional responsibility to customers, suppliers and contractors and we maintain communication of the policy at all levels throughout the Group.

Global social responsibility

Carclo is a global company, which drives for sustainable growth in partnership with local communities and we take our responsibilities towards those communities to maintain an ethical supply chain seriously. With full control over our manufacturing facilities in low cost regions we commit to be a responsible supplier and ensure that we at least meet local social expectations.

Community involvement

We encourage our businesses to support their local communities through charitable support and education initiatives. We are committed to developing future talent and fully support apprentice schemes and graduate employment.

We fully support the Indian government's Corporate Social Responsibility ("CSR") scheme via our facility in Bangalore. In recent years we have funded the planning, design and construction of a multi-use building in a local village, bio-toilets at 3 schools, classroom buildings and a dormitory building at a further 2 schools. This year after analysing the requirements of the local villages it was determined that the waste management system needed improving. As a result, we have paid for and installed decomposer equipment to reduce the waste management of 7 local villages by processing the wet waste collected from the houses.

Greenhouse gas emissions

The Group is required to report its annual greenhouse gas ("GHG") emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("Regulations"). We have collated data during the year to 31 March 2019 and are reporting emissions for this period to coincide with the Group's financial reporting period.

The tables below set out the Group's global emissions in tonnes of carbon dioxide equivalent (tCO_2e) for the year under review:

GHG emissions data for reporting year 1st April 2018 to 31 March 2019

Emissions from:	Location-Based Methodology	Market-Based Methodology
Combustion of fuel and operation of facilities (tCO_2e)	1,523	1,523
Electricity purchased for own use (tCO_2e)	22,760	25,514
Total (tCO_2e)	24,283	27,037
Intensity ratio (tCO_2e per £1 million of revenue)	167.7	186.7

Year on year comparison – location-based methodology

Emissions from:	2019	2018	Percentage change
Combustion of fuel and operation of facilities (tCO_2e)	1,523	1,323	15.1%
Electricity purchased for own use (tCO_2e)	22,760	21,436	6.2%
Total (tCO_2e)	24,283	22,759	6.7%
Group revenue (£ million)	144.8	146.2	
Intensity ratio (tCO_2e per £1 million of revenue)	167.7	155.7	7.7%

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement.

The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

An operational control methodology has been used to identify material emissions sources. Data has been collated from source documentation or, where this has been impracticable, using estimates. Calculations of emissions for the period have been made using third-party, specialist software and have undergone third-party quality assurance.

To enable meaningful comparison of GHG emissions across periods an intensity ratio has been determined based on Group revenues. Strategic Report signed on behalf of the Board.

Mark Rollins

Chairman

31 October 2019

glossary

COMPOUND ANNUAL GROWTH RATE ("CAGR")	The geometric progression ratio that provides a constant rate of return over a time period
CONSTANT CURRENCY	Retranslated at the prior year's average exchange rate. Included to explain the effect of changing exchange rates during volatile times to assist the reader's understanding
GROUP CAPITAL EXPENDITURE	Fixed asset additions
NET BANK INTEREST	Interest receivable on cash at bank less interest payable on bank loans and overdrafts. Reported in this manner due to the global nature of the Group and its banking agreements
NET DEBT	Cash and cash deposits less current and non-current interest-bearing loans, borrowings and finance leases. Used to report the overall financial debt of the Group in a manner that is easy to understand
OPERATIONAL GEARING	Ratio of fixed overheads to sales
UNDERLYING	Adjusted to exclude all exceptional items (exceptional items in this definition does not include the proforma unaudited exceptional price concession)
UNDERLYING EBITDA	Profit before interest tax, depreciation, amortisation adjusted to exclude all exceptional items (exceptional items in this definition does not include the proforma unaudited exceptional price concession)
UNDERLYING EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional items (exceptional items in this definition does not include the proforma unaudited exceptional price concession)
UNDERLYING OPERATING PROFIT	Operating profit adjusted to exclude all exceptional items (exceptional items in this definition does not include the proforma unaudited exceptional price concession)
UNDERLYING PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional items (exceptional items in this definition does not include the proforma unaudited exceptional price concession)
PROFORMA ADJUSTED	Adjusted to exclude all exceptional items and the proforma unaudited exceptional price concession on exit of mid-volume automotive business
PROFORMA ADJUSTED EBITDA	Profit before interest tax, depreciation, amortisation adjusted to exclude all exceptional items and the proforma unaudited exceptional price concession on exit of mid-volume automotive business
PROFORMA ADJUSTED EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional items and the proforma unaudited exceptional price concession on exit of mid-volume automotive business
PROFORMA ADJUSTED OPERATING PROFIT	Operating profit adjusted to exclude all exceptional items and the proforma unaudited exceptional price concession on exit of mid-volume automotive business
PROFORMA ADJUSTED PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional items and the proforma unaudited exceptional price concession on exit of mid-volume automotive business

directors and advisers

Directors - *left to right*

Mark Rollins – Chairman
Antony Collins – Interim Chief Executive Officer
* + Peter Slabbert
* David Toohey
* Joe Oatley

* *Non-Executive*
+ *Senior Independent Director*

Secretary

Angie Wakes

Registrars

Equiniti
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Telephone 0371 384 2249

Corporate Brokers

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LS1 4DA

Tax advisers

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

Bankers

HSBC Bank plc

Solicitors

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Registered office

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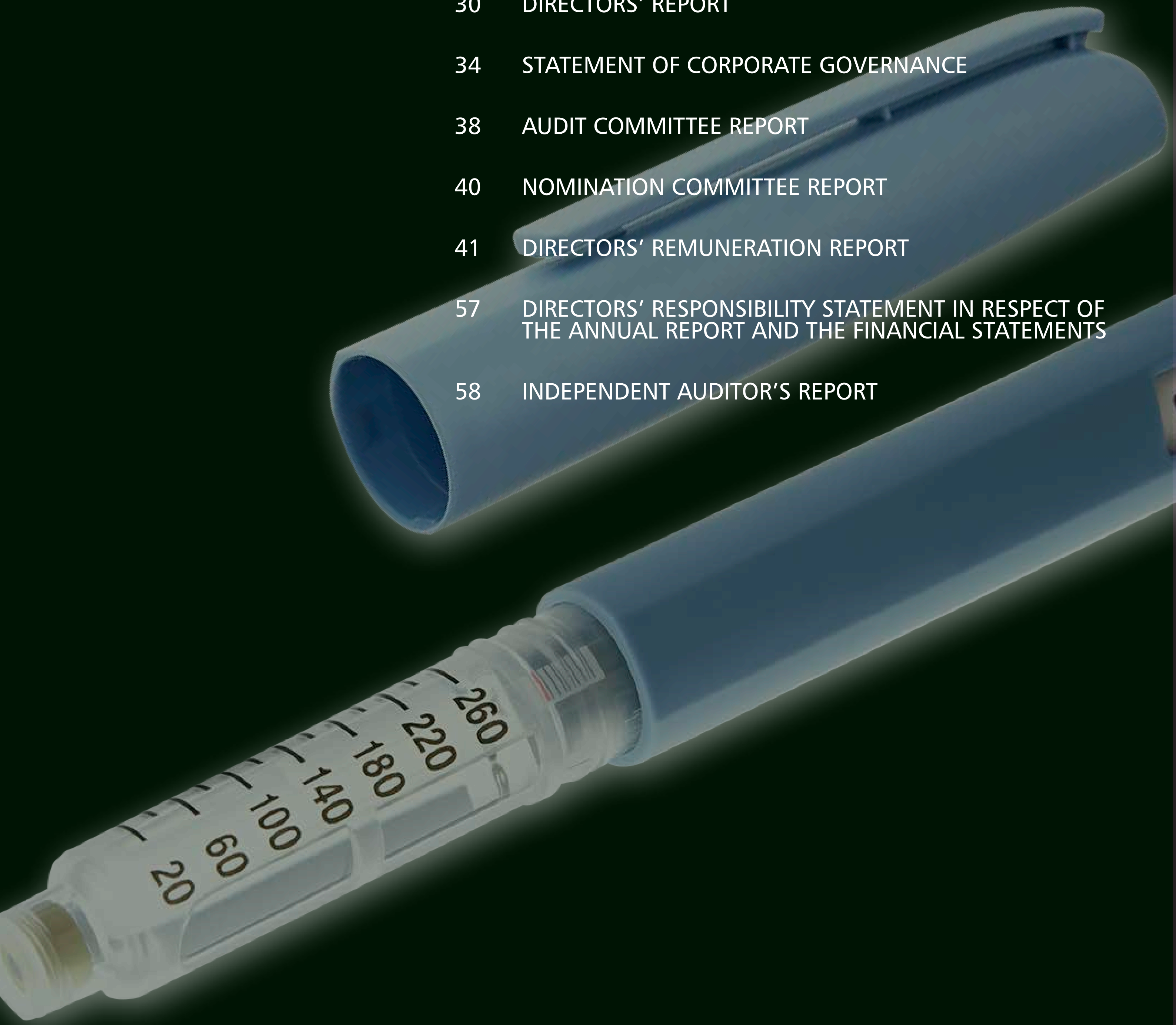
WF5 9WS
Telephone: 01924 268040
Website: www.carclo-plc.com
E-mail: investor.relations@carclo-plc.com
Registered Company Number: 196249

governance



chairman's introduction to corporate governance

The statement of corporate governance practices set out on pages 34 to 56, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of Carclo plc.

Dear Shareholder

On behalf of the Board, I am pleased to present Carclo plc's Corporate Governance Report for the year ended 31 March 2019. This report seeks to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties and apply the principles of good governance set down in the UK Corporate Governance Code ('the Code').

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

We acknowledge that good governance is fundamental to the success of the Group and it is woven into the strategy and decision-making processes throughout the business. The tone from the top is cascaded from the Board to the Executive Team and out to the business. The composition of the Board is routinely assessed to ensure that we have a diverse balance of skills, experience and knowledge required to achieve our strategic goals. Board succession planning is an important element of our corporate governance regime and procedures are in place to attract, assess and develop Board and Executive Team talent. The Board embraces widening diversity in terms of background, ethnicity, age, experience, gender and perspective and it ensures that all appointments are made on merit alone.

As in prior years, an internal evaluation of the Board and each of its Committees has been undertaken. The conclusions from the evaluation confirmed that the Board continues to function effectively as a whole and in Committee, and that all Directors properly discharge their duties. The Board also identified areas to focus on improvement in the coming year. In line with best practice, consideration is being given to undertaking next year's evaluation using an external consultant.

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

We remain cognisant of the strong relationship between ethics and governance and the role the Board plays in demonstrating ethical leadership. Further information on ethics is contained in our Social Responsibility report on pages 24 and 25.

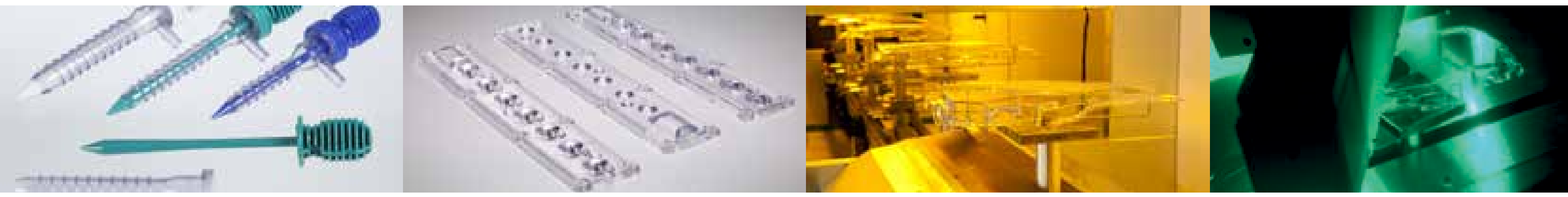
From January 2019 to September 2019, I operated as an Executive Chairman until Antony Collins was appointed as interim Chief Executive on 1 October 2019. Consequently, I am grateful for the actions of Peter Slabbert as the Senior Independent Non-Executive Director in guiding the Board and providing constructive challenge to management ensuring an open culture of debate that contributes to creating and preserving value for our shareholders.

Our Corporate Governance Report is set out on pages 34 to 56 and incorporates the Audit Committee Report on pages 38 and 39, the Nomination Committee Report on page 40 and the Directors' Remuneration Report on pages 41 to 56.

This section of the Annual Report sets out how we manage the Group and comply with the provisions of the Code. Our Statement of Compliance with the UK Corporate Governance Code is set out on page 41.

Whilst the Group has functioned for the past few years without in-house specialist company secretarial skills, I am pleased to report that an experienced and dedicated Group Company Secretary was appointed on 2 October 2019 and I look forward to working with her over the next 12-18 months to take Carclo's corporate governance standards to a higher level during this time.

M Rollins
Chairman
31 October 2019



directors' report

The Directors' report is required to be produced by law. Pages 30 to 33 inclusive (together with the sections of the Annual Report incorporated into these pages by reference) constitute a Directors' report that has been drawn up and presented in accordance with applicable law. The Directors' report also includes certain disclosures that the Company is required to make by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and Listing Rules.

Strategic report

The Strategic report required by the Companies Act 2006 can be found on pages 11 to 25. This report, together with the Chairman's statement on pages 6 to 9, sets out the Company's business model and strategy, contains a review of the business and describes the development and performance of the Group's business during the financial year and its position at the end of the year. It also contains on pages 19 to 22 a description of the principal risks and uncertainties facing the Group.

FCA's Disclosure Guidance and Transparency Rules

For the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 4.1.5R (2) and DTR 4.1.8R), this Directors' report, the Strategic report on pages 11 to 25 and the Chairman's statement on pages 6 to 9 together comprise the 'management report'.

Statement of corporate governance

The Statement of corporate governance on pages 34 to 39 provides the corporate governance statement required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 7.2.1). The Statement of corporate governance forms part of this Directors' report and is incorporated into it by cross-reference.

Going concern

Net debt at 31 March 2019 was £38.5m, increasing from £31.5m at 31 March 2018. The increase was driven by capital investment and the profile of cash receipts from customers for ongoing design, development and tooling programmes and by the significant increase in production volumes in the LED Technologies division which absorbed working capital.

After the year end, net debt levels improved following the decision to exit three mid-volume programmes at Wipac as monies were received from customers in respect of the work done on the design, development and tooling for these programmes. By the end of August 2019, net debt, prepared on the same basis as at 31 March 2019, had fallen to £26.2m.

The Directors have prepared base and sensitised cash flow forecasts for a period in excess of eighteen months from the date of their approval of these financial statements. The Directors have also considered the debt facilities available to the Group which are disclosed in note 20 to the financial statements and comprise an overdraft of £15m and a £30m revolving credit facility maturing in January 2021, a period of fifteen months from the date of this report. The revolving credit facility, which at October 2019 is fully drawn, was due to mature in March 2020 but the term has been extended to January 2021. The overdraft facility was reduced to £10m at the end of September 2019, with headroom forecast to be at a sufficient level after this reduction in facility.

The net debt to underlying EBITDA banking covenant test at 31 March 2019 was deferred by the bank in advance of the year end. Had the covenant been tested net debt would have been 2.74 times proforma unaudited adjusted EBITDA (which is aligned to how the covenants will be tested going forwards) against a covenant of 2.75 times. Under the base case, the Group's financing is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period.

The Board has considered two scenarios: a disposal of Wipac and retention of the business whilst the current level of significant customer support remains.

There are a number of uncertainties in relation to a disposal in relation to disposal proceeds and timing. In the event a disposal is not achieved the Board will pursue alternative options to protect the Group from the ongoing underlying losses of Wipac.

Whilst the business is retained, there are a number of assumptions that have been made in the forecast including:

Wipac customer support

Continued operation of Wipac depends on significant support from customers in the form of price surcharges and contributions towards tooling improvements and other operational improvement programmes. It also involves customers bearing their own emergency freight charges. All customers have signed up to this plan, although this is subject to review on a weekly basis and should any support be withdrawn, or should any customers choose to take production contracts elsewhere, this will have a material impact on Wipac's ability to continue in operation.

No contingent liabilities, including warranty claims, giving rise to a material cash outflow

No significant claims for exiting from the mid-volume programmes or in relation to the operational issues have been received. In addition, remaining customers have agreed not to charge any penalties or admin fees for missed or short deliveries. However, were this situation to change in the future, a contingent liability or claim could arise giving rise to a material cash outflow that could not be met in the normal course of business.

Continued bank support

The base case forecasts and bank covenants have been prepared on the basis that Wipac is disposed of. Should Wipac not be disposed of by the end of October, the bank facility agreement states that the covenants will need to be renegotiated by the end of November. Our base case cash flow forecasts assume a positive impact on the Group's financing position from the disposal process by March 2020. If this were not the case,




and in the absence of significant cash inflows from any alternative options, it is likely that the 31 March 2020 covenant would be breached and would need to be renegotiated.

Other assumptions in relation to the remainder of the Group include:

Suppliers continuing to offer normal commercial credit terms

Certain credit insurers have removed cover on the Group. To date this has not had a material impact on the cash flows. The cash forecast assumes that suppliers continue to offer normal commercial credit terms. Any move to acceleration of supplier payments could impact on cash requirements.

Customers paying invoices to terms

Any significant delay in receiving payment could impact on headroom.

Ongoing trading performance

The CTP Division has won a number of new sales programmes which are due to start in the current financial year. Any delay in commencement or in the ramp up of forecast volumes or failure to deliver revenue and margin growth could reduce headroom, as could any material trading underperformance in the remaining businesses or loss of existing customers.

Capital investment projects completing on time and on budget

The CTP Division has won a number of new sales programmes which require capital investment. If this investment is not completed on time and on budget, there could be further cash requirements

Lenders continuing to offer the facilities described above

£30m of the bank funding relates to a committed facility in place until 31 January 2021. The remainder is an overdraft that is repayable on demand that has been reduced to £10m in September 2019. The base case cash flow forecasts and hence the going concern assessment have been prepared on the basis that the bank continues to extend a sufficient overdraft facility for the period to January 2021.

Bank permission is required for the disposal of Wipac.

Wipac is a guarantor of the Group bank facility and following disposal, the Group is reliant on the support of the bank to waive these cross-guarantees. Whilst the bank has indicated its support, there is no guarantee that this waiver will be granted.

Financial sensitivity modelling was carried out which assessed the impact of the risks noted above both individually and in aggregate on both headroom and bank covenants.

The Board concluded that in the event of any of these individual risks occurring and having a material impact on the forecasts, the Group would require the support of its lenders by way of additional overdraft facility or covenant waiver / deferral.

Based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the successful disposal of the Wipac business in the near-term or, in the absence of this, to appropriate actions being taken to protect the Group from Wipac's underlying losses and subject to the ongoing support of the Group's lending bank, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Profits and earnings

The loss of the Group before taxation, after charging net interest of £2.1m (2018 – £1.7m), amounted to £14.7m compared with a profit of £8.2m for the previous year. After taxation the earnings per ordinary 5 pence share was a loss of 25.4p pence compared with a profit of 11.6 pence for the previous year.

Post balance sheet events

Following the year end, an announcement was made on 11 June 2019 regarding a change in strategic focus for Wipac, to exit from mid-volume contracts and refocus on low volume work.

A further announcement was made on 4 July 2019 that the Group has received a number of approaches from parties interested in the potential acquisition of Wipac, the main operating business in the Group's LED Technologies division. The Group has marketed the business and it is expected that a sale will be completed within the next year; the Wipac business is therefore classified as held for sale subsequent to the balance sheet date and no adjustments have been made to the financial statements in respect of this.

On 25 July 2019 the existing bank facilities were extended from 30 March 2020 to 31 January 2021. An agreement was also reached with the Pension Trustee regarding the level of contributions for the same period.

In September 2019, following receipt of payments for significant Wipac design and development programmes, the bank overdraft facility was reduced to £10m, leaving total facilities at £40m.

Share capital

At 31 March 2019, the Company's issued share capital comprised 73,419,193 ordinary shares of 5p each. Details of the changes in issued share capital during the year are set out in Note 26 to the accounts. The information in Note 26 is incorporated into this Directors' report by reference and is deemed to form part of this report.

Each share carried equal rights to dividends, voting and return of capital on the winding up of the Company as set out in the

Company's articles of association. There are no restrictions on the transfer of securities in the Company and there are no restrictions on voting rights or deadlines, other than those prescribed by law or by the articles of association, nor is the Company aware of any arrangement between holders of its shares which may result in restrictions on the transfer of securities or voting rights.

Share capital authorities

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

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

Change of control

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

Amendment of articles of association

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

Appointment and replacement of directors

The Company's articles of association provide that the number of directors shall be not more than 12 and not fewer than 4, unless otherwise determined by the Company by ordinary resolution. Directors may be appointed by an ordinary resolution of the shareholders or by a resolution of the Board.

A director appointed by the Board during the year must retire at the first annual general meeting following his or her appointment and such director is eligible to offer him or herself for election by the Company's shareholders.

Additionally, the Company's articles of association provide that one-third of the directors who are subject to retirement by rotation shall retire from office at each annual general meeting. A director who retires at an annual general meeting may be re-elected by the shareholders. Notwithstanding these retirement provisions in line with the UK Corporate Governance Code and as permitted by the articles of association all directors retired and presented themselves for re-election at the 2019 AGM.

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

Political donations and expenditure

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

Financial instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, interest risk, liquidity risk and foreign currency risk can be found in Note 28. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Employment policies

The Group's policies as regards the employment of disabled persons and a description of actions the Group has taken to encourage greater employee involvement in the business are set out on page 24. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Greenhouse gas emissions

Information on greenhouse gas emissions required to be disclosed in this Directors' report is set out on page 25. Such information is incorporated into this Directors' report by reference and is deemed to form part of this report.

Substantial shareholdings

The Company had been notified under Disclosure Guidance and Transparency Rule 5 of the following major holdings of voting rights associated with its issued ordinary share capital as at the dates set out below:

	31 March 2019	31 October 2019
Schroder Investment Management Limited	11.1%	11.1%
Duroc AB	10.0%	13.0%
Janus Henderson Investors	9.5%	9.3%
Aberforth Partners LLP	8.4%	0.0%
Lakestreet Capital Partners AG	6.1%	10.9%
Axxion S.A.	5.9%	0.0%
The NFU Mutual Insurance Society Limited	3.8%	1.4%
Hargreaves Lansdown Asset Management	3.4%	4.4%
BMO Global Asset Management	3.3%	0.0%
Redmayne-Bentley LLP	3.3%	3.3%
Killik & Co	0.0%	4.7%

Directors and directors' interests

The directors at the date of this Directors' report are listed on page 27. Chris Malley resigned from the Board as Group Chief Executive on 11 January 2019 and Sarah Matthews-DeMers resigned from the Board as Group Finance Director on 23 October 2019. No other person served as a director of the Company at any time during the financial year.

Additional information relating to directors' remuneration and interests in the ordinary share capital of the Company are included in the directors' remuneration report on pages 41 to 56.

Biographies of directors

Mark Rollins (Chairman)

Mark joined the Group as a Non-Executive Director on 1 January 2018. He became Chairman at the conclusion of the 2018 AGM and Executive Chairman on 11 January 2019. On the appointment of Antony Collins as interim Chief Executive Officer with effect from 1 October 2019, Mark resumed the role of Non-Executive Chairman. He is currently the Senior Independent Director of Tyman plc and the Non-Executive Chairman of Sigma Precision Components UK Limited. Previously, Mark was Group Chief Executive of Senior plc from March 2008 until his retirement in June 2015. He is a Chartered Accountant and joined Senior plc from The Morgan Crucible Company plc as a Divisional Finance Director in March 1998, before being appointed as Group Finance Director in July 2000.

Committees: Nomination Committee (Chair)

Antony Collins (interim Chief Executive Officer)

Antony was appointed Chief Executive Officer on 1 October 2019, having previously been Chief Restructuring Officer from 30 May 2019. Antony has held a variety of roles as executive and advisor in listed and private equity companies. Having begun his career in the British Army, he became a director in PwC's Business Restructuring Division. He has an MBA from Manchester Business School and is a Member of the Institute for Turnaround.

Committees: None

Peter Slabbert (Senior Independent Non-Executive Director)

Peter was appointed a Non-Executive Director of the Company from 1 April 2015 and Chairman of the Audit Committee from that date. He was Chief Executive of Avon Rubber plc from April 2008 to September 2015. He joined Avon as Group Financial Controller in May 2000 and he was appointed Group Finance Director on 1 July 2005. A Chartered Accountant, Peter joined from Tilbury Douglas where he was Divisional Finance Director and Group Financial Controller. Prior to that, he worked at Bearing Power International as Finance Director.

Committees: Audit Committee (Chair), Nomination Committee, Remuneration Committee

David Toohey (Independent Non-Executive Director)

David was appointed a Non-Executive Director of the Company from 1 April 2015. He has over 30 years' experience in international business, the last 20 of which have been in medical devices and the In Vitro Diagnostics industry. He has been Chief Executive Officer of Syncrophi Systems Limited since 2012. He joined Syncrophi from Alere Inc, where he spent 11 years in senior managerial roles, latterly as President of International Business Operations. He has held various Executive positions at Boston Scientific Corporation, Bausch & Lomb, Inc., Digital Equipment Corp. and Mars, Inc.

Committees: Audit Committee, Nomination Committee, Remuneration Committee

Joe Oatley (Independent Non-Executive Director)

Joe was appointed as a Non-Executive Director of the Company and the Chairman of the Remuneration Committee with effect from 20 July 2018. He is currently also a Non-Executive Director at Wates Group Limited. Previously he was Group Chief Executive of Cape plc from 2012 to 2017. Prior to joining Cape, he was Chief Executive of Hamworthy plc.

Committees: Remuneration Committee (Chair), Audit Committee, Nomination Committee

Directors' indemnities

The Company's articles of association permit the Company to indemnify any director or any director of any associated company against any liability pursuant to any qualifying third-party indemnity provision or any qualifying pension scheme indemnity provision, or on any other lawful basis. The indemnity provisions entered into by the Company in favour of all the directors were in force during the year and continue to be in force at the date the Directors' report is approved. The Company also takes out insurance covering claims against the directors or officers of the Company and any associated company and this insurance provides cover in respect of some of the Company's liabilities under the indemnity provisions.

Disclosure of information to auditor

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

Information required by LR 9.8.4R

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

By order of the Board

A. Wakes

Angie Wakes

Secretary

31 October 2019

statement of corporate governance

UK Corporate Governance Code

The Company remains committed to the highest standards of corporate governance for which the board is accountable. The Company has complied throughout the year with the main provisions of the 2016 UK Corporate Governance Code (the "2016 Code") issued by the Financial Reporting Council. The Company continues to maintain and review its systems, processes and policies to support its sustainability and governance practices. This statement, together with the directors' remuneration report, describes how the Company has applied the main principles of the Code.

The Financial Reporting Council published a revised code in April 2016 (the '2016 Code'), which took effect for companies with accounting periods beginning on or after 17 June 2016. We have taken into consideration the areas of change arising from the 2016 Code, which also reflect the implementation of the European Union's Audit Regulation and Directive. We have been mindful to consider how we comply not just with the principles of the Code but also the spirit of the Code and our report below reflects this assessment.

The board

Until 11 January 2019 the Board comprised the Non-executive Chairman, the Chief Executive, the Executive Finance Director and three other non-executive directors. On 11 January 2019 the Chief Executive resigned from the Board and the Chairman took over the responsibilities of being the Executive Chairman. On 1 October 2019 on appointment of the interim Chief Executive, the Executive Chairman returned to a non-executive role. On 23 October 2019, the Finance Director resigned from the Board. Under the Company's articles of association, all directors must offer themselves for re-election at least once every three years. However, in accordance with developing best governance practice, all directors normally seek re-election on an annual basis.

The biographies of all the directors appear on page 33.

The Chairman has primary responsibility for leading the board and ensuring its effectiveness. He sets the board's agenda and ensures that all directors can make an effective contribution. Since the Chairman took the role of executive chairman the senior independent non-executive director assists with these responsibilities. The Senior Independent Non-Executive Director has the power to add items to the agenda of full board meetings. Whilst the Group did not have a chief executive, the Executive Chairman had responsibility for all operational matters and the development and implementation of Group strategy approved by the board.

The Chairman and each non-executive director were independent on appointment and the board considers each non-executive director to be independent in accordance with the Code.

P Slabbert, as Senior Independent Non-Executive Director, is available to shareholders if they have concerns which have not been resolved through the normal channels of chairman or chief executive.

The board meets regularly (at least nine times each year) and there is contact between meetings to progress the Company's business. During the year, one in which the ongoing challenges faced by the Group resulted in a significant increase in the need for board meetings, attendance by directors at meetings of the board and its various committees was as follows:

	Board Meetings		Remuneration		Audit		Nomination	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
M Derbyshire	4	4	1	1	1	1	1	1
P Slabbert	15	15	5	5	4	4	4	4
J Oatley	11	11	4	4	3	3	3	3
D Toohey	15	15	5	5	4	4	4	4
C Malley	11	11	-	-	-	-	-	-
S Matthews-DeMers	12	12	-	-	-	-	-	-
M Rollins	15	15	3	3	1	1	4	4

Board meetings are held at subsidiary facilities at least twice a year. These visits include meeting with staff and attending presentations from management which enables particular focus on the regional considerations associated with implementation of the Group's strategy. In the 2019 financial year the visits were made to the LED Technologies facility in Buckingham and the Technical Plastics facility in Latrobe, USA.

The board has a formal schedule of matters specifically reserved to it for decision (including the development of corporate strategy and the approval of annual budgets, major capital expenditure and potential acquisitions and disposals). Briefing papers are distributed by the secretary to all directors in advance of board meetings. All directors participate in a full induction process on joining the board and subsequently receive training and briefing as appropriate including on social, environmental and ethical matters. The directors are authorised to obtain independent advice as required. The board evaluation process also considers specific training or development needs.

Conflicts of interest

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

Board evaluation

This year the Senior Independent Non-Executive Director supervised an internal evaluation of the board's performance and that of its principal Committees. In addition, an evaluation of the performance of individual directors was undertaken.

The evaluation process was based on a series of questions devised for the purpose and circulated to the directors. The process reviewed issues such as: the assessment and monitoring of the Company's strategy; the monthly board meeting agenda and information flow, the evaluation of risk and social responsibilities including anti-bribery policies and environmental risks. There was also a review of the role and performance of the board Committees. The results of the evaluation were collated by the senior independent non-executive director and will form the basis of board objectives for 2019/20, including:

- refining the Group's technology strategy
- evaluating the linking of strategy to investment
- discussion of management and board succession
- refining the board's analysis of and response to corporate social responsibility matters

The Nomination Committee recognises the benefits to the Group of diversity in the workforce and in the composition of the board itself and supports the Davies Report's aspiration to provide a greater female representation on listed company boards. While the Company will continue to make all appointments based on the best candidate for the role, we will look to follow the procedures recommended by the Davies Report and by the Code when new board appointments are made.

Board Committees

The board has four Committees, Nomination, Remuneration, Audit and Disclosure all of which have terms of reference which deal specifically with their authorities and duties. The terms of reference may be viewed on the Company's website. All Committee appointments are made by the board. Only the Committee chairmen and members of the Committees are entitled to be present at Committee meetings, but others may attend by invitation.

Nomination Committee

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

In the last year the full Committee has met four times to discuss succession planning and board performance.

Remuneration Committee

The Company has established a Remuneration Committee consisting entirely of independent non-executive directors. The Remuneration Committee met five times during the year and was chaired by Mark Rollins until Joe Oatley was appointed on 20 July 2018. Mark Rollins stepped off the Committee in January 2019 when he became Executive Chairman. The Committee recommends to the full board the Company's policy on executive director and executive management remuneration and continues to determine individual remuneration packages for executive directors. The Remuneration Committee is authorised by the board to obtain independent professional advice if it considers this necessary. The directors' remuneration report on pages 41 to 56 sets out the Group's remuneration objectives and policy and includes full details of directors' remuneration in accordance with the provisions of the Code.

The Remuneration Committee takes care to recognise and manage any conflicts of interest when receiving views from executive directors or senior management or consulting the executive chairman about its proposals.

Audit Committee

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

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

- To monitor the financial reporting process.
- To review the effectiveness of the Group's internal financial controls, internal control and risk management systems and internal audit function.
- To review the independence and effectiveness of the external auditor, including the provision of non-audit services.

The Committee has reviewed whistleblowing arrangements whereby employees can report concerns about financial irregularities, health and safety and environmental or legal matters. A dedicated whistle-blower email address has been set up, details of which are included in new employee induction material and advertised at operating sites.

The Audit Committee assists the board in observing its responsibility for ensuring that the Group's financial systems provide accurate information which is properly reflected in the published accounts. It reviews half year and annual accounts before their submission to the board and reviews reports from the internal auditors and computer department. The Audit Committee report is set out on pages 38 and 39.

Disclosure Committee

The Disclosure Committee's responsibilities are to ensure that the Company's obligations to make timely and accurate disclosure of information in accordance with any applicable law or regulation are met in circumstances where it is impractical for the Board, or any other Board Committee with delegated responsibility, to fulfil those obligations. In accordance with these responsibilities, the Committee may make disclosures on behalf of the Board. The Committee will take advice, including as appropriate to the subject matter from the Company's broker, external auditor and legal advisors, on the form and content of any disclosure under consideration. The remit of the Disclosure Committee, its conduct and terms of reference have been considered in light of the Market Abuse Regulations, which came into effect during 2016. The Committee includes but is not limited to the Chief Executive, Executive Chairman, Finance Director and the Company Secretary with a quorum being any two members. The chairman of each Committee meeting will be appointed on an ad hoc basis. Should a decision not achieve a majority basis the executive chairman should be requested to provide a casting vote. Meetings of the Committee may be called by any member of the Committee on any period of notice, provided that notice is given to all members.

Certain operational and administrative matters are delegated by the board to the following executive Committees:

Group Steering Committee

The Group Steering Committee is chaired by the Chief Executive or Executive Chairman and comprises the executive directors together with the company secretary, selected managing directors from operating companies, the Group IT manager and the Group financial controller. The Committee met each quarter during the year and is responsible to the board for running the ongoing operations of the Group's businesses.

Finance, administration and risk management committee

The finance, administration and risk management committee is chaired by the Finance Director and comprises the Company Secretary, Group financial controller and Group project accountant. The Committee met at least monthly during the year and is custodian of the Group finance manual and is responsible for setting accounting and risk management policies and ensuring overall compliance with Turnbull guidance on internal controls.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee is chaired by the Finance Director and comprises the Company Secretary and several other responsible employees from subsidiaries to enhance the global reach. The Committee drives the Group's actions in the fields of global social responsibility, health and safety, bribery and corruption, environmental and climate change policies, charitable support, equality and human and labour rights, whistleblowing and supply chain labour standards. The Committee has been allocated a budget by the Group for use in charitable pursuits.

Accountability and audit

Internal control

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

For the year ended 31 March 2019, the board has reviewed the effectiveness of the Group's system of internal control and risk management, for which it retains overall responsibility. Responsibility for operating the system is delegated to the Group Steering Committee and responsibility for monitoring the system is delegated to the Finance, Administration and Risk Management Committee. The Audit Committee reviews the effectiveness of the Group's internal control system, the scope of work undertaken by the internal auditors and its findings, the Group's accounts and the scope of work undertaken by the external auditors. Reviews are undertaken regularly and cover each accounting year and the period up to the date of approval of the accounts.




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

a) Matters reserved for the board

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

b) Organisational structure

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

c) Financial control and reporting

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

d) Internal auditor

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

Relations with shareholders

The Company recognises the importance of communication with its shareholders. Regular meetings are held between directors of the Company and major institutional shareholders including presentations after the Company's preliminary announcements of the half year and full year results and discussions on performance and strategy. Major shareholders have been advised that the Chairman and the non-executive directors are available for separate discussions if required. The Chairman held meetings with several major shareholders during the year. The board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation. Shareholders have the opportunity to raise questions with the board during the meeting. Directors also make themselves available before and after the annual general meeting to talk informally to shareholders, should they wish to do so. From the 2019 AGM, which was held on 25 September 2019 voting has been held on a Poll basis. Details of the resolutions proposed at the annual general meeting on 25 September 2019 can be found in the AGM circular.

Structure of the Company's capital

Details of the structure of the company's capital are set out in the directors' report on pages 31 and 32.

Approved by the board

on 31 October 2019

and signed on its behalf by

A. Wakes

Angie Wakes

Secretary

audit committee report

Annual statement by the Chairman of the Audit Committee

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

The key responsibilities of the Committee are:

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

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

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

Composition

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

Meetings

Only audit committee members are entitled to attend a meeting. However, the Executive Chairman/Chief Executive, Finance Director and the external Audit Engagement Partner are normally invited to attend meetings.

Four meetings were held during the year, two of which were scheduled to coincide with the Board's review and approval of the Group's Interim Statement and of its preliminary results announcement based on the annual report and accounts. A section of at least two meetings during the period took place without management present.

Internal Control and risk management

The Group has an established system of internal control and a risk management framework that the Board considers appropriate in the context of the Group's reporting requirements and strategic objectives. Internal controls and risk management systems covering all material controls including financial, operational and compliance controls, are subject to internal and external audit and the outputs of the risk management process are actively challenged by the Board. On behalf of the Board, all these activities are periodically reviewed by the committee and their effectiveness assessed through oral and written reports from both internal and external auditors. A Risk Assurance Review is conducted annually by the full Board, in addition to a Risk Management and Internal Control Report Review.

The Board concluded that whilst the risk management process had been in place during the year and was operating as documented, it had failed to highlight the risk factors that led to the significant operational and financing issues in the LED Technologies Division and the effectiveness of this process is now under review.

Further details of the Group's risks and uncertainties together with the mitigating actions are set out on pages 19 to 22 of the annual report and accounts.

Internal Audit

The committee reviews annually the arrangements for internal audit and during the year appointed Grant Thornton UK LLP to provide the outsourced internal audit function. The internal auditor monitors and reports on the system of internal control and works to an agreed programme. The internal and external audit plans are set in the context of a developing assurance reporting process, are flexed to deal with any change in the risk profile of the Group and are approved by the committee. The internal audit programme will be reviewed in light of the recent changes to the Group's strategic focus.

Significant issues related to the financial statements

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

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

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

In the year to 31 March 2019, such issues included the impact of changes in accounting standards and other financial reporting disclosures.

In addition to the above, the Committee supports the Board in completing its assessment of the adoption of the going concern basis of preparing the financial statements. The directors include a Viability Statement concerning the prospects of the Company, as required by section C.2.2 of the Code. During the financial year, the Committee reviewed the approach taken by the directors in preparing and reporting on the Viability Statement with due regard for wider market practice and developing guidance. As a result of that review, the Committee was satisfied that the approach adopted was appropriate. The Viability Statement for the 2019 financial year is included on page 22.

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

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

- The IAS19 pensions position. The Company has a defined benefit pension scheme with liabilities of approximately £215.4m and assets of approximately £166.3m as at 31 March 2019. These numbers are sensitive to the main assumptions utilised to calculate the deficit or surplus on the scheme and the Audit Committee seeks confirmation that these assumptions are appropriate.
- The Group balance sheet value of goodwill. The balance of goodwill on the Group balance sheet as at 31 March 2019 is £23.1m and the Audit Committee seeks to gain assurance through the executive management's review of discounted cash flow analyses, particularly in the light of the reduction in market capitalisation in the year, that the impairments made in the year are appropriate.
- Recoverable amount of the LED cash generating unit. There has been a decline in the recoverable amount of the LED cash generating unit and the Audit Committee seeks to gain assurance, through the executive management's preparation and review of impairment models, that the impairments made in the year are appropriate.
- Going Concern. The Audit Committee supported the Board in its assessment of the adoption of the Going Concern basis of preparing the financial statements. As a result of that review, notwithstanding the material uncertainties that may cast significant doubt upon the ability to continue as a going concern, the Committee and the Board were satisfied that the approach adopted was appropriate.

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

- Recognition of deferred tax assets. Deferred tax assets are only recognised to the extent that it is considered there are sufficient taxable profits against which to offset future tax deductions. No deferred tax assets have been recognised in the UK entities as the central costs are considered likely to offset the trading profits. The Committee agreed with this approach.

The Committee considered whether the 2019 Annual Report taken as a whole was fair, balanced and understandable and whether it provided the necessary information for Shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee is satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable.

External audit

The Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. The external auditor's appointment is reviewed periodically, and the lead audit partner is rotated at least once every five years. KPMG LLP has been the Group's external auditor since September 2005. Whilst KPMG LLP will be proposed for re-appointment as auditor by shareholders at the General Meeting on 19 December 2019, the Group intends to hold a tender for audit services prior to the end of the financial year to 31 March 2020. KPMG LLP has indicated that it will not participate in this process.

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

The Committee has an established policy for determining the non-audit services that the external auditor can provide where justified on grounds of cost and related expertise and where not impacted by potential conflicts of interest. This allows the Committee to satisfy itself that auditor objectivity and independence are safeguarded. The analysis of audit and non-audit fees for the year to 31 March 2019 and the nature of the non-audit services provided appear in Note 5 on the accounts. Non-audit fees totalled £15,000 which is equivalent to 7% of the audit fees. No non-audit fees incurred in the year were considered to be significant. Since 31 March 2017 the auditor has only been permitted to perform non-audit work outside of the EU. Non-audit work outside of the EU is only awarded to the auditor in line with the non-audit services policy which requires approval in advance of all individual non-audit services with fees of £25,000 or more. No approval shall be given to any non-audit services prohibited under the amendments to UK Companies Act 2006 and the FRC Revised Ethical Standard 2016. Given the type of non-audit services provided, they are not considered by the Committee to affect the objectivity and independence of the external auditor.

As discussed above, KPMG LLP will be proposed for re-appointment as auditor by shareholders at the forthcoming General Meeting.

Peter Slabbert

Chairman of the Audit Committee

31 October 2019

nomination committee report

The Nomination Committee is responsible for regularly reviewing the structure, size, diversity and composition of the Board.

This is to ensure that the Group has the right leadership, balance of skills and experience to deliver its strategy and enable the Board to effectively fulfil its obligations.

Composition

The Nomination Committee comprises all of the non-executive Directors. It is chaired by the Chairman, Mark Rollins. The Committee met on four occasions during the year.

Responsibilities

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

During the financial year the Committee focused on Board succession and composition.

The Committee considered candidates in relation to the appointment of a new finance director following the departure of Robert Brooksbank, who served as a director for 14 years. It also considered candidates in relation to the appointment of a new non-executive director, following the retirement of Michael Derbyshire and his succession as chairman by Mark Rollins. In addition, candidates for the interim Chief Executive Officer and, after the year end, the interim Chief Finance Officer were considered by the Committee.

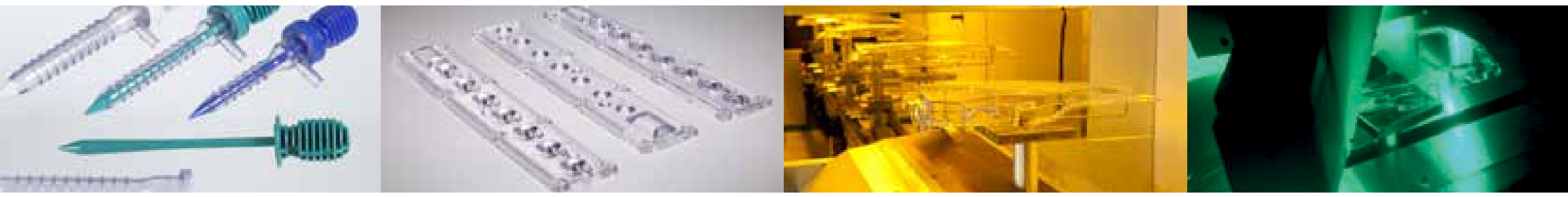
During 2018 and 2019 meetings of the Committee considered the Company's initiatives for succession planning, together with the training and development of employees with the ability to progress to senior positions in the Group. The Board recognises that these initiatives can lead to the appointment of internal candidates to key executive positions and thereby enable the Group to fulfil its strategic objectives.

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

Boardroom diversity

The Board recognises the importance of diversity as an essential element in maintaining Board effectiveness and a competitive advantage. Diversity of skills, background, knowledge, international and industry experience, and gender will be taken into consideration when seeking to make new appointments to the Board and its Committees. All appointments will be made on merit, taking into account suitability for the role, composition and balance of the Board to ensure that the Company has the appropriate mix of skills, experience, independence and knowledge. In the year we have sought to increase the level of female representation on the Board which was achieved following the recruitment of Sarah Matthews-DeMers.

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



directors' remuneration report

Annual statement

Dear Shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration Report (the "Report") for the year ended 31 March 2019.

The Report has three sections:

- This Annual Statement, which summarises and explains the major decisions and changes in respect of directors' remuneration;
- A summary of the Directors' Remuneration Policy (the "Policy") as approved at the 2017 AGM; and
- The Annual Report on Remuneration, providing details of the remuneration earned by the Company's directors in relation to the year ended 31 March 2019 and how the Policy will be operated for the year to 31 March 2020.

Clearly, for reasons explained earlier in these Annual Accounts, Carclo did not achieve the anticipated financial performance during the 2018/19 financial year and the Remuneration Committee (the "Committee") were fully cognisant of this when making judgments as to past and future elements of Board remuneration. These judgments are summarised below.

Leadership changes

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

On 20 July 2018 it was announced that I had joined the Board at which point Mark Rollins, who had replaced the retiring Mike Derbyshire as Chairman, resigned as chairman of the Remuneration Committee and I replaced him in this role.

As discussed in the Remuneration Report for the year-ended 31 March 2018, Sarah Matthews-DeMers joined the Group on 18 July 2018 to take the position as Group Finance Director. The principal terms of Sarah's remuneration were set out in the 2017/18 Directors' Remuneration Report and are further disclosed in this year's Annual Report on Remuneration. Sarah's remuneration package was consistent with the approved Remuneration Policy.

It was also announced, on 11 January 2019, that Chris Malley was stepping down from the Board with immediate effect to take on the role of LED Technologies Divisional Chief Executive and that, until a new Group Chief Executive was appointed, Mark Rollins would act as Executive Chairman. It was announced on 4 July 2019 that Sarah Matthews-DeMers would be leaving the Group towards the end of October 2019. On 25 September 2019 it was announced that Ed Watkinson had been appointed as Group Chief Finance Officer Designate and would take over on Sarah's departure, although Ed will not, at least initially, join the Board. On 25 September 2019 it was announced that Antony Collins would join the Board as Interim Chief Executive Officer from 1 October 2019. A summary of the principal terms of Antony's remuneration are set out on page 49. As an interim appointment, Antony receives a salary but no other benefits, which is not consistent with the policy for permanent appointments.

2018/19 financial year – performance and pay

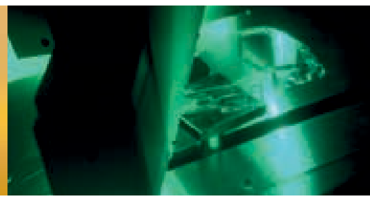
Remuneration Alignment to Strategy: The Remuneration Committee believes in rewarding Carclo's executives based on their performance and the value created for the Group's shareholders. The variable elements of executive remuneration during the year were focused on simple and transparent measures of profit before tax, Earnings per Share ("EPS") growth and net debt. Accordingly, this Report should be read in conjunction with the Strategic Report.

Salary: As set out in the 2017/18 Directors' Remuneration Report, an internal review concluded that basic salary for senior employees, including executive directors, would not be increased during the financial year 2018/19.

Annual Bonus: In respect of the 2018/19 bonus, 100% of the payment was set against demanding financial targets. As can be seen from page 50 of this Report, these targets were not achieved and consequently no bonus was payable in respect of 2018/19.

Long Term Incentive Plan: Performance measures for awards made under the Carclo Performance Share Plan ("PSP") are equally weighted between EPS and TSR targets. As 2018/19 was a disappointing year, there was no vesting in relation to the EPS portion of the 2016 award and no vesting in respect of the Total Shareholder Return ("TSR") portion. Consequently, none of the shares subject to the 2016 PSP awards vested.



directors' remuneration report CONTINUED

Implementation of the Remuneration Policy for the 2019/20 financial year

The current Directors' Remuneration Policy was approved by shareholders at the 2017 AGM. In respect of the implementation of the Policy for the 2019/20 financial year, and in light of the recent financial performance of the Group, the Committee agreed that:

- Basic salary level for the Finance Director be increased by 3%. This was in line with the awards made to other employees within the Group. As discussed above, M Rollins acted as Executive Chairman from January 2019 to September 2019, however, he elected not to receive any increase in salary for taking on the Executive Chairman role;
- There will be no increase in the fees for the Chairman or non-executive directors.
- The structure and quantum of the annual bonus continued to be broadly appropriate and aligned to shareholders' interests. For 2019/20 the annual bonus potential will continue to be based on demanding financial targets; and
- The long-term incentive plan, whereby conditional awards of shares are granted annually under the Carclo PSP with vesting after three years based on earnings per share and relative total shareholder return performance conditions (followed by a two year holding period), continues to provide a strong alignment between the senior executive team and shareholders.

The Remuneration Committee is mindful of the changes to the 2018 Code and those provisions will be taken into account when the new Policy is put to shareholders in 2020. A number of those provisions have already been adopted:

- The Remuneration Committee was responsible for setting senior management pay for the 2019/20 financial year.
- The requirement for a total vesting/holding period of 5 years for the PSPs was implemented when the new scheme was approved in 2017.
- The Remuneration Committee already has the ability to use discretion to override formulaic outcomes.
- Future recruited executive directors will only receive a pension contribution rate in line with the general workforce.

Alignment with shareholders

The Remuneration Committee is mindful of the interests of the Group's shareholders and is keen to ensure a demonstrable link between reward and value creation. In addition to the matters set out in this report, alignment and shareholder interest is further demonstrated by the operation of share ownership guidelines and the inclusion of clawback and malus provisions for both annual bonus and LTIP awards. Most importantly, however, is the clear link between executive remuneration and the performance of the business as a whole.

The Group acknowledges the support it has received in the past from its shareholders and hopes that this will continue at the forthcoming general meeting, where I, and all of the Remuneration Committee, will be in attendance and delighted to answer any questions you may have at that time.

Joe Oatley
Chairman of the Remuneration Committee
31 October 2019

Compliance Statement

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

The following parts of the Annual Report on Remuneration Report are audited: the single total figure of remuneration for directors, including annual bonus and LTIP outcomes for the financial year ending 31 March 2019; scheme interests awarded during the year; and, directors' shareholdings and share interests.

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

Directors' Remuneration Policy

The Remuneration Policy was approved by the shareholders at the 2017 AGM on 7 September 2017. The full Directors' Remuneration Policy can be found in the Investors' section of the Company's website.

Policy table

The Policy Table below summarises the key components of remuneration for executive directors:

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
SALARY	To provide an appropriate, competitive level of basic fixed income avoiding excessive risk arising from over reliance on variable income To attract and retain executive directors of superior calibre in order to deliver business growth Reflects individual skills and experience and role	Reviewed annually by the Remuneration Committee, normally effective 1 April Takes periodic account of similar roles at companies with similar characteristics and sector comparators, individual experience and performance, Company performance and wider pay levels and salary increases across the Group	No prescribed maximum annual increase, but will normally be in line with general increase for the wider workforce In exceptional circumstances, the Committee may decide to award a lower increase for executive directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role to take account of relevant market movements and/or the appointment of new executive directors.	N/A
OTHER BENEFITS	Provides market competitive benefits Provides insured benefits to support the individual and their family during periods of ill health, accident or death	Benefits provided through third party providers Includes car allowance, life insurance, private medical insurance and permanent disability insurance. Other benefits may be provided where appropriate	Benefits may vary by role and individual circumstance and are reviewed periodically. Benefits have not exceeded 10% of salary in the last 3 financial years and are not anticipated to exceed this over the next three financial years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Company's control have materially changed (e.g. increases in medical premiums)	N/A
BONUS	Incentivises annual delivery of short-term financial and strategic goals and business strategy Maximum bonus only payable for achieving demanding targets	Performance measures, targets and weightings are set at the start of the year. Payments are calculated based on an assessment of performance at the end of the year. Paid in cash Not pensionable Clawback and malus provisions apply in the event of material misstatement of results and/or an error in the calculation of the bonus outcome	100% of salary CEO 75% of salary FD	Performance is assessed on an annual basis by reference to financial measures as well as the achievement of personal/strategic objectives. The current financial performance measure is Underlying Profit (defined as profit before all exceptional items), however the Committee has discretion to adjust the performance measures and weightings each year according to strategic priorities, although the weighting on financial measures will be at least 75%. The bonus for personal/strategic performance is payable only if, in the opinion of the Remuneration Committee, there was an improvement in the underlying financial and operational performance of the Group during that financial year. The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: fair and reasonable in the circumstances; and a more appropriate measure of performance and not materially less challenging than the original condition would have been
LONG TERM INCENTIVE PLAN (awards made under the Carclo Performance Share Plan)	To motivate and retain executives, reward delivery of the Company strategy and long-term goals and to help align executive and shareholder interests Aligned to main strategic objectives of delivering sustainable profit growth and shareholder return.	Annual grant of nil cost options or performance shares which normally vest after at least 3 years subject to continued service and performance targets. At the start of each performance cycle, the Committee sets performance targets which it considers to be appropriately stretching. Awards made to executive directors will be subject to a "holding period" under which for the five year period following the date of grant the executive directors will not be permitted to sell the shares subject to the awards (other than to fund any exercise price payable or pay any tax liability arising on vesting) and limited exceptional circumstances (such as death). Clawback and/or malus may be applied up to seven years from the grant of awards in any of the following circumstances: (a) if any of the audited financial results for the Company are materially mis-stated; (b) if the Company, any Group company and/or a relevant business unit has suffered serious reputational damage as a result of the relevant participant's misconduct or otherwise; (c) there has been serious misconduct on the part of the relevant participant; or (d) in such other circumstances, where the Committee determines that malus or clawback should apply.	100% of salary normal limit 200% of salary exceptional limit - e.g., recruitment	LTIP performance measured over three years. Performance measures are currently EPS and TSR weighted equally, however the Committee has discretion to adjust the performance measures and weightings to ensure they continue to be linked to the delivery of Company strategy. During the five-year period following the date of grant the executive directors cannot sell the shares subject to the awards (other than to pay the tax liability arising on vesting). The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: fair and reasonable in the circumstances; and a more appropriate measure of performance and not materially less challenging than the original condition would have been

Policy Table continued

PENSION	Provides market competitive retirement benefits Opportunity for executives to contribute to their own retirement plan	Executive Directors receive a contribution to HMRC approved personal pension arrangement or a payment in lieu of pension contributions	The maximum employer contribution is 20% of salary restricted to a maximum £40k. Future recruited directors will only receive a contribution in line with the general workforce.	N/A
SHARE OWNERSHIP GUIDELINES	To provide alignment between executives and shareholders	Executive directors are required to build and maintain a shareholding equivalent to one year's base salary through the retention of vested share awards or through open market purchases until the guideline is met	100% of salary holding for executive directors. The Committee will monitor progress against this requirement on an annual basis. A reasonable time limit is considered to be 5 years. Directors will be required to retain 50% of post-tax PSP vestings as shares for the first 5 years of their employment. If the required holding has not been achieved by that point the percentage will increase to 75%	N/A
NON EXECUTIVE DIRECTORS FEES	Reflects time commitments and responsibilities of each role Reflects market competitive fees	Reviewed annually by the Board, normally effective 1 April. Chairman and Non-Executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-Executive Directors for additional services such as chairing the Audit and Remuneration committees. Fee levels are benchmarked with reference to sector comparators and FTSE-listed companies of similar size and complexity. The required time commitment and responsibilities are taken into account when reviewing fee levels. All fees are paid in cash.	No prescribed maximum annual increase, but it is expected that fee increases will normally be in line with general increase for the wider workforce. However, in the event that there is a material misalignment with the market or change in complexity, responsibility or time commitment required to fulfil a non-executive director role, the Board has discretion to make an appropriate adjustment to the fee level	Non-executive directors do not participate in variable pay arrangements or receive any pension provision.

Notes to the policy table

A description of how the Company intends to implement the Policy set out in this table for the 2019/20 financial year is set out in the Annual Report on Remuneration on page 52.

Performance measurement selection

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

The TSR and EPS performance conditions applicable to the Carclo PSP (further details of which are provided on page 51) were selected by the Remuneration Committee on the basis that they reward the delivery of long term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long term value to shareholders.

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

As highlighted above, the Company has a share ownership policy which requires the executive directors to build up and maintain a target holding equal to 100% of base salary. Details of the extent to which the executive directors had complied with this Policy as at 31 March 2019 are set out on page 56.

Remuneration policy for other employees

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

i) A lower level of maximum annual bonus opportunity generally applies to employees below Board level;

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

iii) The majority of employees participate in local defined contribution pension arrangements; and

iv) Participation in the Carclo PSP is limited to the executive directors and certain selected senior managers.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive directors and senior executives, a greater emphasis tends to be placed on performance related pay.

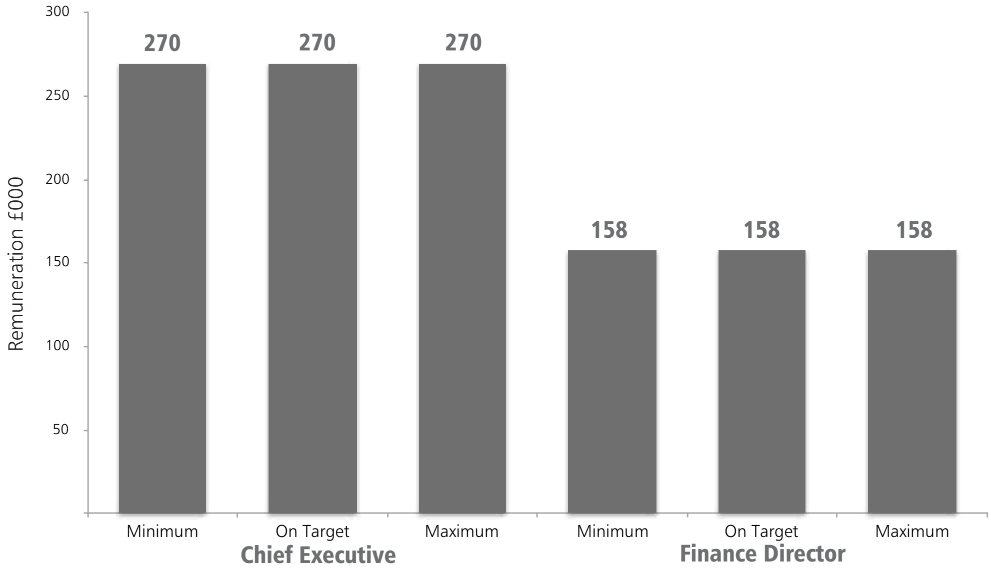
Remuneration Policy for the Chairman and Non Executive directors

The Board determines the Remuneration Policy and level of fees for the non-executive directors, within the limits set out in the Articles of Association. When doing so, an individual is not allowed to participate in the discussions relating to their own remuneration. The Remuneration Committee recommends the remuneration policy and level of fees for the chairman to the Board.

The Policy Table summarises the key components of remuneration for the chairman and non-executive directors.

Pay scenario charts

The graphs below provide estimates of the potential future reward opportunity for the two executive directors positions for the 2019/20 financial year, and the potential split between different elements of remuneration under three different scenarios; "Minimum", "On Target" and "Maximum" performance.



The amounts shown in the table above represent:

Chief Executive: the amounts paid to the Chairman, M Rollins, for the 6-month period from 1 April 2019 to 30 September 2019 whilst acting as Executive Chairman (£45,000) together with the amounts to be paid to A Collins for the 6-month period from 1 October 2019 to 31 March 2020 (£225,000). As an interim, A Collins receives a fixed salary only and is not entitled to any other benefits, bonus or LTIP. The amounts included for M Rollins represent his Chairman's fee only for the period as he elected not to receive any additional remuneration for taking on the executive responsibilities;

Finance Director: the actual amounts paid to Sarah Matthews De-Mers in salary and benefits for the 7-month period from 1 April 2019 to 31 October 2019 (£158,000), the date she will leave the Group, Sarah did not receive any amounts in respect of bonus or LTIP. No amounts have been included in the table in respect of Ed Watkinson, the Group Chief Finance Officer from 1 November 2019, as he is not a director of the Company. As an interim, Ed Watkinson receives a fixed daily rate only and is not entitled to any other benefits, bonus or LTIP. He is remunerated at £1,400 per day and is therefore expected to be paid approximately £130,000 for the 5-month period from 1 November 2019 to 31 March 2020.

Approach to remuneration upon recruitment

The remuneration package for a new permanent executive director – i.e., basic salary, benefits, pension, annual bonus and long term incentive awards – would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and would reflect the experience of the individual. The salary for a new executive may be set below the normal market rate, with phased increases over the first few years, as the executive gains experience in their new role. Annual bonus potential will be limited to 100% of salary for the Chief Executive and 75% of salary for the Finance Director and long-term incentives will be limited to 100% of salary in both cases (200% of salary in exceptional circumstances).

In addition to normal remuneration elements, the Committee may offer additional cash and/or share based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished by a new executive director as a result of them leaving their former employer ('buyout' awards). In making such buyout awards the Committee would take account of, where possible, the nature, time horizons and performance requirements (including the likelihood of

directors' remuneration report CONTINUED

Policy Table continued

those conditions being met) of the forfeited awards. Any such 'buyout' awards will typically be made under the existing annual bonus and LTIP scheme, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited. Shareholders will be informed of any such payments at the time of appointment.

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

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

In the case of hiring or appointing a new non-executive director a base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for additional services, such as chairing a Board committee or being the senior independent director.

Service contracts

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

Executive director	**Position**	**Effective date of contract**	**Notice period From Company**	**Notice period From Director**
A Collins	Chief Executive	1 October 2019	1 month*	1 month*
M Rollins	Executive chairman	11 January 2019	N/A	N/A

*after a fixed 6-month period

M Rollins acted as Executive Chairman from 11 January 2019 until 30 September 2019 when he returned to his position as non-executive chairman on the appointment of A Collins as interim Chief Executive Officer.

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

Letters of appointment are provided to the chairman and non-executive directors. Non-executive directors have letters of appointment effective for a period of three years and are subject to annual re-election at the AGM.

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

Non-executive director	**Date of most recent letter**	**Unexpired term as at 31 March 2019**	**Date of appointment**	**Last reappointment at AGM**
P Slabbert	1 April 2018	To 2019 AGM	1 April 2015	25 September 2019
D Toohey	1 April 2018	To 2019 AGM	1 April 2015	25 September 2019
J Oatley	20 July 2018	To 2019 AGM	20 July 2018	25 September 2019

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

This section has been updated to reflect the position as at 31 March 2019 in respect of the Directors' service contracts and letters of appointment. The position as at the time the Remuneration Policy was approved is set out in the Remuneration Policy which is available on the Company's website.

Exit payment policy

The Company's policy is to limit any payment made to a departing director to contractual arrangements and to honour any pre-established commitments. As part of this process, the Committee will take into consideration the executive director's duty to mitigate their loss.

It is Company policy that executive service contracts should not normally contain notice periods of more than 12 months.

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

Annual bonuses may be payable with respect to the period of the financial year served by the departing executive with the Committee ordinarily providing that such bonus will be pro-rated for time and paid at the normal pay out date. Any share-based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the 2017 PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury or disability or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the normal vesting date, albeit that the Committee has the discretion to determine that the awards may vest at an earlier date. In determining the extent of any such vesting the Committee will take account of the extent to which the relevant performance conditions have been satisfied and the proportion of the performance period actually served. Similar provisions apply in respect of awards made under the 2007 PSP.

Malus and clawback

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

- circumstances justifying the summary dismissal of an employee from his office or employment with any member of the Group including but not limited to dishonesty, fraud, misrepresentation or breach of trust;
- circumstances where an employee has participated in or is responsible for conduct which resulted in significant losses to any member of the Group;
- the Company has become aware of any material wrongdoing on the part of an employee;
- an employee has acted in a manner which in the opinion of the Board has brought or is likely to bring any member of the Group into material dispute or is materially adverse to the interests of any member of the Group;
- any material breach of an employee's terms and conditions of employment, or material breach of a fiduciary duty owed to any member of the Group;
- any material violation of Company policy, rules or regulation, or a failure to meet appropriate standards of fitness and propriety;
- any material failure of risk management;
- any other conduct which is considered to be misconduct;
- the inaccurate reporting of any accounts, financial data or such other information resulting in such accounts, financial data or other information being, in the opinion of the Remuneration Committee (acting fairly and reasonably), either materially corrected and/or requiring any future accounts, financial data or information having to include write-downs, adjustments or other corrective items in order to address the inaccuracy.

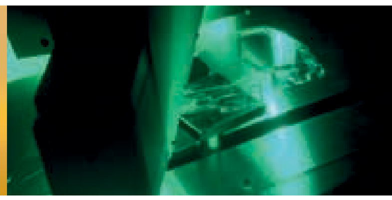
The application of malus (i.e. partial or full lapse of an unvested incentive opportunity) will be possible over the relevant performance period and holding period; the application of clawback (i.e. the partial or full repayment of a vested-and-paid incentive award) will be possible for a period of 18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

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

- Reduction of in-flight annual bonus and/or PSP awards not yet performance-tested (i.e. malus)
- Reduction of deferred bonus or vested PSP (i.e. malus)
- Request for the repayment of an already-paid annual bonus and/or PSP award (i.e. clawback)

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



annual report on remuneration

The following section provides details of how Carclo's remuneration policy was implemented during the financial year ending 31 March 2019.

Remuneration Committee membership in 2019

The Remuneration Committee currently comprises of P Slabbert, D Toohey and J Oatley and has been chaired by J Oatley since his appointment on 20 July 2018. M Derbyshire was a member until 19 July 2018 when he retired from the board. Until that point the Committee was chaired by M Rollins. M Rollins resigned from the Committee on 11 January 2019 when he was appointed Executive Chairman of Carclo plc. The Committee met five times during the financial year ended 31 March 2019 and individual Committee members attended all meetings held during the year under review other than the first meeting of the year which J Oatley did not attend as it was held before his appointment, but which M Derbyshire did attend. M Rollins chaired the first meeting during the relevant financial year and J Oatley the remainder.

During the year, the Committee sought internal support from the chief executive who attended Committee meetings by invitation from the chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The chief executive and finance director were not present for any discussions that related directly to their own remuneration. The company secretary attended each meeting as secretary to the Committee.

Independent Advice

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. During the year £2,000 was paid to Mercer Limited in respect of general advice around levels of executive remuneration.

Summary of shareholder voting on remuneration matters

The following table shows the results of the shareholder vote on the 2017/18 Remuneration Report at the 2018 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	41,937,015	97.6
Against	1,045,099	2.4
Total votes cast (excluding withheld votes)	42,982,114	100.00
Votes withheld	827,871	
Total votes cast (including withheld votes)	43,809,985	

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

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

Executive director changes

As announced on 11 January 2019, the Group Chief Executive, C Malley, resigned from the Board with immediate effect.

Also, on 11 January 2019, it was announced that M Rollins would assume the role of Executive Chairman until such point as a new Chief Executive Officer could be appointed. On 1 October 2019 on the appointment of A Collins as interim Chief Executive Officer, M Rollins resumed his role as Non-Executive Chairman. Sarah Matthews-DeMers resigned from the Board on 23 October ahead of her departure from the Group on 31 October.

C Malley – loss of office

C Malley remains with Carclo plc as LED Technologies Divisional Chief Executive. He received no compensation for loss of office and consequently has agreed a new service contract commensurate with his new role.

As he remains an employee of Carclo plc in line with the PSP rules C Malley retains the outstanding Carclo PSP awards awarded to him before his resignation and will be eligible to receive further awards at a suitable level to his new role.

M Rollins – remuneration details

M Rollins assumed the role of Executive Chairman until an interim Chief Executive was appointed.

The terms of his appointment can be summarised as follows:

- annual salary of £324,365, prorated for the number of days spent fulfilling the Executive Chairman role;
- the Remuneration Committee agreed that he would not be eligible for awards under the PSP and bonus plans

M Rollins acted as Executive Chairman from January 2019 to September 2019, however, he elected not to receive any additional payment for taking on the Executive Chairman role and consequently received only his normal fee as Chairman during this period.

A Collins – remuneration details

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

The terms of his appointment can be summarised as follows:

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

S Matthews-DeMers – resignation from office

S Matthews-DeMers will leave Carclo plc for a new role on 31 October 2019, and she will be entitled to her salary and contractual benefits up to the date she leaves. She will receive no compensation for loss of office, she will not be entitled to benefit from any bonus award for 2019/20 and her existing PSP award and unvested portion of her buy-out award will lapse on her ceasing employment.

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 March 2019 and the prior year:

	Salary		Payment for loss of office		Benefits (1)		Annual Bonus		LTIP and Other Share Based Payments		Pension (2)		Total	
Name	**£'000 2019**	**£'000 2018**	**£'000 2019**	**£'000 2018**	**£'000 2019**	**£'000 2018**	**£'000 2019**	**£'000 2018**	**£'000 2019**	**£'000 2018**	**£'000 2019**	**£'000 2018**	**£'000 2019**	**£'000 2018**
C Malley	254	324	N/A	N/A	25	32	N/A	N/A	N/A	58	27	35	306	449
M Rollins	19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19	N/A
R Brooksbank	N/A	218	N/A	265	N/A	13	N/A	N/A	N/A	27	N/A	35	N/A	558
S Matthews-DeMers	153	N/A	N/A	N/A	8	N/A	N/A	N/A	N/A	N/A	23	N/A	184	N/A

Notes

- Benefits comprise private medical cover, travel and car allowance.
- Payment in lieu of pension contributions are in line with the Remuneration Policy
- Details of the performance measures applicable to the annual bonus for 2019 are set out below
- Details of the performance measures applicable to the vesting of long-term incentive awards are set out below.
- M Rollins salary relates to the period from 11 January 2019 when he became an executive director. The amount shown represents his Chairman fee only for the period as he elected not to receive any additional remuneration for taking on the executive responsibilities.
- C Malley salary relates to the period until 11 January 2019 when he ceased to be an executive director
- S Matthews-DeMers salary relates to the period from 18 July 2018 when she became an executive director

annual report on remuneration CONTINUED

Single total figure of remuneration for Non Executive directors (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 March 2019 and the prior year:

Non Executive Director	Base fee £		Committee fees £		Total £	
	2019	2018	2019	2018	2019	2018
M Derbyshire	26,743	89,551	-	-	26,743	89,551
J Oatley	25,688	-	4,314	4,631	30,002	32,208
P Slabbert	36,769	36,769	8,675	6,175	45,444	42,944
D Toohey	36,769	36,769	-	-	36,769	36,769
M Rollins	54,406	9,192	1,844	1,544	56,250	10,736

Incentive outcomes for the year ended 31 March 2019 (audited)

Annual performance bonus outcome 2018/19

Name	Outcome % Salary			Maximum Potential % Salary		
	Financial	Strategic	Payable	Financial	Strategic	Payable
C Malley	0.00	0.00%	0.00%	100.00	0.00	100
S Matthews-DeMers	0.00	0.00%	0.00%	75.00	0.00	75

The detailed financial performance targets applicable to the 2018/19 annual bonus arrangements were as follows:

The bonus structure for 2018/19 was changed from that for 2017/18, such that all bonuses in 2018/19 were based on financial targets, albeit the total bonus available to be earned stayed the same. The requirements were as follows:

First half net debt. To achieve the minimum threshold under this target the Group was required to achieve net debt of £36.0m, when adjusted for budgeted versus actual capital expenditure. To achieve the maximum threshold under this target the Group was required to achieve net debt of £28.8m on the same basis. This requirement could achieve a maximum of 10% of the annual bonus award. Adjusted first half net debt was in excess of £36.0m and consequently no payment was made in respect of this performance target.

Year-end net debt. To achieve the minimum threshold under this target the Group was required to achieve net debt of £25.2m, when adjusted for budgeted versus actual capital expenditure. To achieve the maximum threshold under this target the Group was required to achieve net debt of £20.2m on the same basis. This requirement could achieve a maximum of 10% of the annual bonus award. Adjusted year-end net debt was in excess of £25.2m and consequently no payment was made in respect of this performance target.

Underlying Earnings per Share (“Underlying EPS”) growth on a year by year basis. To achieve the minimum threshold under this target the Group was required to achieve an Underlying EPS of 9.8p. To achieve the maximum threshold under this target the Group was required to achieve Underlying EPS of 12.25p. This requirement could achieve a maximum of 20% of the annual bonus award. Underlying EPS was a 2.7p loss and consequently no payment was made in respect of this performance target.

Underlying Earnings per Share (“Underlying EPS”) compared to budget. To achieve the minimum threshold under this target the Group was required to achieve an Underlying EPS of 11.47p. To achieve the maximum threshold under this target the Group was required to achieve Underlying EPS of 12.87p. This requirement could achieve a maximum of 60% of the annual bonus award. Underlying EPS was a 2.7p loss and consequently no payment was made in respect of this performance target.

2016 LTIP vesting

The LTIP award granted on 13 July 2016 was based on the performance over the three years ended 31 March 2019. The performance targets for this award, and actual performance against those targets, were as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% Vesting
Earnings per share	Normalised EPS growth of RPI+ 5% pa (12.5% vesting) to RPI+12% pa (50% vesting) over three financial years	16.08p EPS	18.80p EPS	(2.7)p EPS	0%
Total Shareholder Return	TSR against the constituents of the FTSE Small Cap Index (excluding investment trusts). 12.5% vesting for median performance and 50% vesting for upper quartile performance or above. TSR measured over three financial years with a three-month average at the start and end of the performance period	(1.6%) TSR	36.43% TSR	(55.7%) TSR	0%
			Total Vesting		0%

This therefore resulted in 0.0% vesting for the 2016 award as follows:

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Estimated value (£)
C Malley	210,000	0	210,000	0
R Brooksbank	98,000	0	98,000	0

Scheme interests awarded in the year ended 31 March 2019 (audited)

2018/19 LTIP

Executive Director	Date of grant	Shares subject to awards made during the year	Share price at date of award	Face value at date of award
C Malley	31 July 2018	304,000	113.5p	£345,040
S Matthews-DeMers	31 July 2018	204,000	113.5p	£231,540

Awards take the form of conditional share awards and were made to the extent of 100% of salary in the respect of C Malley and S Matthews-DeMers.

The awards measured performance on the following basis:

Consistent with past awards, the extent to which awards granted in the year ending 31 March 2019 will vest will be dependent on two independent performance conditions with 50% determined by reference to the Company's TSR and 50% determined by reference to the Company's EPS, as follows:

- The TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three-year period relative to the constituents of the FTSE Small Cap Index, excluding investment trusts, at the beginning of that period. This element of the award is reduced to 25% on a pro rata basis for median performance and is reduced to nil for below median performance; and
- The EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three-year period. This element of the award is reduced to 25% on a pro rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

As noted above, S Matthews-DeMers will be leaving the Group on 31 October 2019, and her PSP award will lapse as a result.

S MATTHEWS-DEMERS "BUY OUT" AWARD

In accordance with its Remuneration Policy and the provisions of Listing Rule 9.4.2(2), the Company agreed to grant S Matthews-DeMers a "buy out" award to compensate her for the awards over shares that she has forfeited as a result of ceasing employment with her previous employer.

A review was undertaken taking account of the nature, time horizons, and performance requirements (including the likelihood of those conditions being met) of the forfeited awards. Consequently, an award over shares in the Company was made to her, with such shares under award having a value of £30,000 on the date of grant. The buyout award does not have any financial performance conditions and, subject to her continued employment, vests in respect of 50% of the shares under award on the first anniversary of her commencing employment, that being 18 July 2019, and the remaining 50% vesting on the second anniversary, that being 18 July 2020. There is a 2-year holding period following the vesting of the award.

For the purposes of complying with the Listing Rules, the following cannot be altered to S Matthews-DeMers' advantage without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the award, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the executive or for a member of the group):

- the person to whom shares are provided under the buy-out award,
- the limitations on the number or amount of the shares subject to the buy-out award,
- the maximum entitlement under the buy-out award, and
- the basis for determining the entitlement to, and the terms of shares to be provided and for the adjustment thereof (if any) if there is a variation in share capital.

The buy-out award is not pensionable.

Executive Director	Date of grant	Shares subject to awards made during the year	Share price at date of award	Face value at date of award
S Matthews-DeMers	10 August 2018	31,948	94.0p	£30,000

When S Matthews-DeMers ceases employment, the unvested portion of the buy-out award will lapse, and the shares subject to the vested portion will remain subject to the 2-year holding period.

Implementation of remuneration policy for the year ending 31 March 2020

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2020 is set out below:

Basic salary

As reported in the Annual Statement on page 41 the Remuneration Committee agreed to increase the Finance Director's base salary level by 3.0%:

	2019/2020	2018/2019	% increase
S Matthews-DeMers	£224,540	£218,000	3.0

S Matthews-DeMers joined the Board on 18 July 2018. She was paid an annual salary of £218,000, meaning that she earned £153,000 pro-rated for the financial year in question.

M Rollins acted as Executive Chairman from January 2019 to September 2019. He elected not to receive any salary for taking on the additional executive responsibilities and consequently his remuneration for 2019/20 remains solely the fee he receives as Chairman. This is to remain unchanged for 2019/20.

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

The majority of the Group's senior executives are also receiving an increase in salary of 3% for 2018/19. Elsewhere, the Group's other employees are, in general, receiving pay rises ranging from 0.0% to 5.0% depending on promotional increases, individual performance and wage inflation in the geography in which they are located.

Pension arrangements

A pension contribution calculated at 15% of salary, limited to a maximum of £40,000 will continue to be paid in respect of S Matthews-DeMers until her departure from the Group at the end of October 2019. A Collins is not entitled to pension contributions.

Annual bonus

The maximum bonus potential for the year ending 31 March 2020 will remain at 75% of salary for the Finance Director. Awards have historically been determined based on a combination of both the Group's financial results and personal achievements. As with the 2018/19 bonus there will be no element relating to personal objectives. This means that at all of the bonus will be based on financial measures, which will continue to include a net-debt based measure in addition to the historical profit-based measures. Maximum bonus will only be payable when the financial results of the Group significantly exceed expectations and any bonus will be payable only if, in the opinion of the Remuneration Committee, there is an improvement in the underlying financial and operating performance of the Group during the year ending 31 March 2020. Clawback and malus provisions will apply for all executive directors.

Proposed target levels have been set to be challenging relative to the 2019/20 business plan, although specific targets are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time the Committee believes that the disclosure of targets in the year following the determination of bonuses is appropriate as disclosed above.

As noted above, S Matthews-DeMers will be leaving the Group on 31 October 2019, and she will not be entitled to a 2019/20 bonus.

A Collins is not entitled to a bonus.

Long term incentives

The new Performance Share Plan was approved at the AGM in 2017.

Consistent with past awards, the extent to which any LTIP awards granted in the year ending 31 March 2020 will vest will be dependent on two independent performance conditions with 50% determined by reference to the Company's total shareholder return ("TSR") and 50% determined by reference to the Group's earnings per share ("EPS"), as follows:

The TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three-year period, relative to the constituents of the FTSE Small Cap Index excluding investment trusts at the beginning of that period. This element of the award is reduced to 25% on a pro rata basis for median performance and is reduced to nil for below median performance; and

The EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three-year period. This element of the award is reduced to 25% on a pro rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

It was planned that the Finance Director would receive a grant of 100% of salary for the awards made during 2019 under the Carclo PSP. However, as noted above, S Matthews-DeMers will be leaving the Group on 31 October 2019, and therefore she will not be granted this PSP award. A Collins will not receive a grant of awards under the PSP.

As set out in the Directors' Remuneration Policy, awards will be subject to clawback and malus provisions, and to a requirement to hold the shares subject to awards for 5 years from date of grant except in exceptional circumstances or to pay any tax liability arising on vesting.

Chairman and non-executive directors

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

Given the financial performance of the Group, it was concluded that the fee levels for the chairman and non-executive directors would be left unchanged. Fee levels for the 2019/20 financial year can be summarised as follows:

Provision	2019/2020	2018/2019	% increase
Chairman	£89,551	£89,551	0.0
Base fee	£36,769	£36,769	0.0
Senior Independent Director fee	£2,500	£ 2,500	0.0
Committee Chair fees	£6,175	£6,175	0.0

annual report on remuneration CONTINUED

Percentage change in chief executive remuneration

The table below shows the percentage change in the chief executive's salary, benefits and annual bonus between the financial year ended 31 March 2018 and 31 March 2019 compared to that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2019 £'000	2018 £'000	% change	
Salary				
Chief executive	273	324	(15.7%)	
UK employee average	30	29	3.4%	
Benefits				
Chief executive	25	32	(21.9%)	
UK employee average	1	1	0.0%	
Annual bonus				
Chief executive	0	0	n/a	* Note 1
UK employee average	0	0	n/a	
	Number	Number		
Average number of UK employees	699	596	17.3%	

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

C Malley stepped down from the board on 11 January 2019 and M Rollins assumed the role of Executive Chairman until a new Chief Executive could be appointed. Consequently, the full year data is a combination of both, reflecting the period in which they each acted as Chief Executive.

Note 1 Total annual bonus awards under the Group's short-term incentive scheme increased from £33k to £68k in total for all UK participants

Relative importance of spend on pay

The table below shows the Group's actual expenditure on pay (for all employees) relative to retained (losses)/profits for the financial years ending 31 March 2018 and ending 31 March 2019

	2019 £'000	2018 £'000	% change
Staff costs	41,796	37,714	10.8%
Retained (loss) profit	(18,632)	8,492	(319.4%)
	Number	Number	
Number of Employees	1,563	1,442	8.4%

Relative performance

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

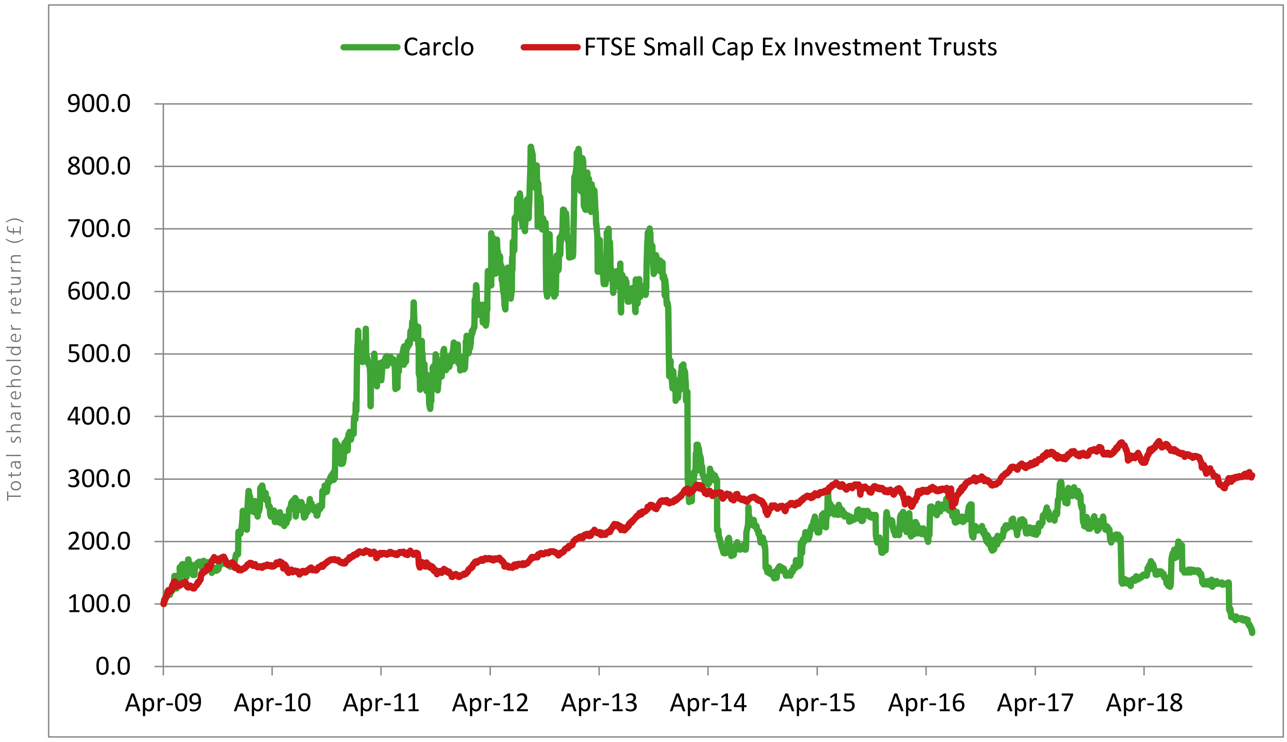


Table of historical data (chief executive)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Chief executive single figure of remuneration (£000)	433	491	249	2,764	328	538	462	836	449	325
Annual bonus payout (as % of maximum)	-	-	-	-	-	71	21	96	-	-
PSP vesting (as % of maximum)	50	50	50	100	-	-	50	50	32.5	-

Figures for 2010 to 2013 relate to I Williamson who was succeeded as chief executive by C Malley on 27 March 2013. C Malley resigned as Chief Executive and stood down from the Board on 11 January 2019.

annual report on remuneration CONTINUED

Directors' interests (audited)

The interests of the directors and their connected persons in the ordinary shares of the Company as at 31 March 2019 were as follows:

	31 March 2019		31 March 2018	
	Ordinary shares	Options	Ordinary shares	Options
S Matthews-DeMers	20,450	-	-	-
M Derbyshire	-	-	-	-
M Rollins	100,000	-	100,000	-
P Slabbert	30,000	-	30,000	-
D Toohey	-	-	-	-
J Oatley	-	-	-	-

i) There have been no changes in the directors' interests since the year-end.

Directors' shareholding requirement (audited)

The table below shows the shareholding of each executive director against their respective shareholding requirement as at 31 March 2019:

	Shares held					
Director	Owned outright or vested	Vested but subject to holding period	Unvested and subject to vesting conditions	Shareholding requirement (% salary)	Current shareholding (% salary)	Prior year shareholding (% salary)
S Matthews-DeMers	20,450	-	235,948	100	9.0	N/A
M Rollins	100,000	-	-	N/A		N/A

S Matthews-DeMers will be leaving Carclo plc on 31 October 2019. The Remuneration Committee has determined that M Rollins was not to be bound by the shareholding requirements.

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

Details of share awards under the Carclo PSP made to executive directors are shown below

Director and year of award	At 1 April 2018	Granted	Vested	Lapsed	At 31 March 2019	Market value per share at date of award £	Determination Date
S Matthews-DeMers							
PSP 2018	-	204,000	-	-	204,000	1.135	31.7.21

Directors' responsibility statement in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

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

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

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

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

By order of the board

Mark Rollins

Chairman

31 October 2019

Independent auditor's report to the members of Carclo plc

1. Our opinion is unmodified

We have audited the financial statements of Carclo plc ("the Company") for the year ended 31 March 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;

the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 9 September 2005. The period of total uninterrupted engagement is for the 14 financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£434k (2018:£450k) 0.3% of group revenue (2018: 5.3% ofgroup profit before tax)	
Coverage	95% of group revenue (2018: 99% of group profit before tax)	
Key audit matters		**vs 2018**
Recurring risks	Defined benefit pension obligation (Group and Parent Company)	◄►
	Valuation of Carclo Technical Plastics (CTP) Goodwill	◄►
New risks	Going concern	▲
	Valuation of LED Technologies (LED) cash generating unit	▲
	The impact of uncertainties due to the UK exiting the European union on our audit	▲

2.Material uncertainty related to going concern

	The risk	Our response
Going concern We draw attention to note 1to the financial statements which indicates that the Group's net debt at 31 March 2019 was £38.5m, increasing from £31.5m at 31 March 2018, and the Group's and the parent Company's ability to continue as a going concern is dependent on both the Group's ability to meet its forecasts and remain within the overall bank and other debt facilities and be in compliance with covenants and the Group's ability to refinance it's bank facility in January 2021. The Group's and the Parent Company's ability to continue as a going concern is also dependent on a disposal of the Wipac business. There are a number of uncertainties in relation to disposal proceeds and timing. In the event that a disposal is not achieved the continued operation of Wipac depends on significant support from customers, which is subject to review on a week to week basis. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality** There is little judgement involved in the directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and the parent Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of all the reasonably possible scenarios relating to the key uncertainties and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. The focus of our audit was that all of those reasonably possible scenarios have been adequately disclosed. Auditing standards require that to be reported as a key audit matter.	Our procedures included: • **Our sector experience:** With the assistance of our restructuring specialists assessed and challenged the key assumptions in the prospective financial information prepared by management. • **Funding assessment:** We obtained and inspected the banking agreement to ascertain the committed level of financing, duration and related covenant requirements, and inspected correspondence from the lenders confirming their agreement to the change in the definition of the covenants and evaluated the directors' assessment of the impact on banking facilities of both a sale of Wipac and the impact of alternative options in the absence of a successful disposal of Wipac. • **Historical comparisons:** We compared the prior period's prospective financial information against the prior period's actual results and compared the current period's prospective financial information with the post-year end actual results to assess historical reliability of the forecasting. • **Sensitivity analysis:** We considered sensitivities relating to the timing and disposal proceeds of the planned Wipac sale, the timing of potential cash receipts from alternative options in the absence of the successful disposal of Wipac and sensitivities relating to other key assumptions in the prospective financial information taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively in relation to available facility headroom and covenant compliance. • **Evaluating directors' intent:** We evaluated the achievability of the actions the directors consider they would take to improve the position should the sale of Wipac not be achieved within an appropriate timeframe should other key risks materialise. • **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing them to the outcome of our procedures detailed above. **Our results:** We found the disclosure of the material uncertainty to be acceptable.

We are required to report to you if the directors' going concern statement under the Listing Rules set out on pages 38 and 39 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

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

3.Other key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union. Refer to pages 38 and 39 (Audit Committee Report)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in respect of the valuation of CTP Goodwill, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unkown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing the risk of the valuation of CTP Goodwill and Going concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures over the valuation of CTP Goodwill and Going concern we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** As reported under the valuation of CTP Goodwill and Going concern, we found the resulting estimates and related disclosures of the valuation of CTP Goodwill and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and this is particularly the case in relation to Brexit.

3.Other key audit matters: including our assessment of risks of material misstatement (*continued*)

	The risk	Our response
Valuation of goodwill in CTP (£21.7million; 2018: £21.4million) Refer to pages 38 and 39 (Audit Committee Report), page 75 (accounting policy) and page 93 (financial disclosures).	**Forecast based valuation** Goodwill allocated to the CarcloTechnical Plastics (CTP) cash generating unit ("CGU") is significant and the estimated recoverable amount, based on value in use ("VIU"), is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. As stated in note 12, minor changes in the discount rate or profit forecasts would lead to an impairment. The effect of this matter is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the sensitivity estimated by the Group.	Our procedures included: • **Historical comparisons:** We analysed the Group's previous projections against actual outcomes to assess historical reliability of the forecasting. Where there were historical inaccuracies we performed additional sensitivity analysis. • **Benchmarking assumptions:** We compared the Group's trading forecasts against current trading performance and against anticipated long term growth rates for the sectors and countries within which the entity operates. • **Sensitivity analysis:** We performed analysis of reasonably possible downsides and breakeven analysis on the key assumptions including terminal growth rates, discount rate, operating profit and operating profit margins. • **Our sector experience:**With the assistance of our own valuation specialists we assessed and challenged the discount rate. We benchmarked each input in the discount rate calculation against our own expectations considering the current financial circumstances of the Group, and we compared the overall discount rate to an expected range based on our own benchmarks. • **Our sector experience:** We assessed whether the allocation of central costs to the Group's CGUs was comparable with the revised strategy for the Group. • **Comparing valuations:** We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • **Assessing transparency:** We assessed whether the Group's disclosures about the basis of valuation methodology and sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. **Our results:** We found the resulting estimate of the recoverable amount of goodwill and related disclosures to be acceptable (2018 result: acceptable).

3.Other key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
Recoverable amount of LED cash generating unit (£27.8 million; 2018: £75.6million) Refer to pages 38 and 39 (Audit Committee Report), page 75 (accounting policy) and page 94 (financial disclosures).	**Subjective valuation and allocation of impairment loss** The valuation of the LED Technologies (LED) cash generating unit ("CGU") has been determined by a fair value less costs of disposal ("FVLCOD") model based on an estimated value which would be expected to be recovered through a distressed sale process and is also based on an indicative price of what a third party would be willing to pay for the business. The model is derived from a post year end valuation and so there is inherent subjectivity in determining conditions which existed at the balance sheet date. As an impairment has been recognised on the LED CGU any changes in the value arising during the sale process having a direct impact will affect the carrying value of the CGU. The value of the goodwill was a small proportion of the total asset value of the CGU so was fully impaired, and then an assessment was performed on the remaining assets, including PPE, to write the other assets down to their recoverable amount. The total impairment recorded against the assets in this CGU is £8.5m. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the LED CGU has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the sensitivity estimated by the Group.	Our procedures included: • **Methodology choice:** We evaluated the appropriateness and application of the valuation model used to measure the recoverable amount of the CGU. • **Comparing valuations:** We compared the recoverable amount of PPE to external information, specifically land and buildings to independent property valuations, plant and machinery to post year end sales and remaining assets to an independent estimate. • **Historical comparisons:** We compared the recoverable amount of working capital balances to actual realisation of assets post year-end. • **Assessing valuer's credentials:** We evaluated the external expert's competence and independence. • **Assessing transparency:** We assessed whether the Group's disclosures of the recoverable amount of the LED CGU reflected the risks inherent in the valuation and the estimates applied when allocating the impairment loss. **Our results:** We found the resulting estimate of the recoverable amount of the LED GCU after impairment, the allocation of the impairment loss and related disclosures to be acceptable.

3.Other key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
Valuation of defined benefit pension scheme obligation (Group and Parent Company) (£215.4m 2018: £199.8m) Refer to pages 38 and 39 (Audit Committee Report), page 77 (accounting policy) and page 100 (financial disclosures).	**Subjective valuation** Estimates and assumptions are made in valuing the Group and parent Company's post-retirement defined benefit plan obligations (before deducting scheme assets), including in particular the discount rate, the inflation assumptions and the mortality assumptions. Small changes in these assumptions and estimates would have a significant effect on the Group and parent Company's net pension deficit. The effect of these matters is that, as part of our risk assessment, we determined that the defined benefit pension scheme obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 22) disclose the sensitivity estimated by the Group.	Our procedures included: • **Our sector experience:** We challenged, with the assistance of our actuarial specialist, the key assumptions applied including the discount rate, inflation rates, the impact of equalisation of benefits ('GMP equalisation')and mortality against externally derived data. • **Assessing transparency:** We considered the adequacy of disclosures made in respect of the sensitivity of the obligation to changes in these assumptions. **Our results:** We found the valuation of the Group pension scheme obligation to be acceptable and related disclosures (2018 result: acceptable).

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

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

Materiality for the group financial statements as a whole was set at £434k, determined with reference to a benchmark of group revenue, of which it represents 0.3% (2018 group profit before tax: 5.3%).

The benchmark used to determine group materiality has changed compared to the prior year from profit before tax to revenue. This is due to revenue currently being considered to be a more stable benchmark.

Materiality for the parent company financial statements as a whole was set at £200k (2018: £300k), determined with reference to a benchmark of company net liabilities, of which it represents 0.9% (2018 net assets: 1.0%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £15k (2018: £23k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

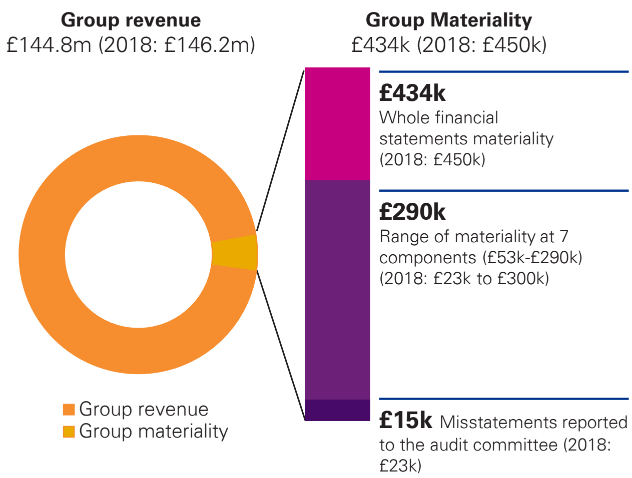
Of the group's 9 (2018: 9) reporting components, we subjected 7 (2018: 8) to full scope audits for group purposes and none (2018: 1) to specified risk-focused audit procedures. The latter in 2018 was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

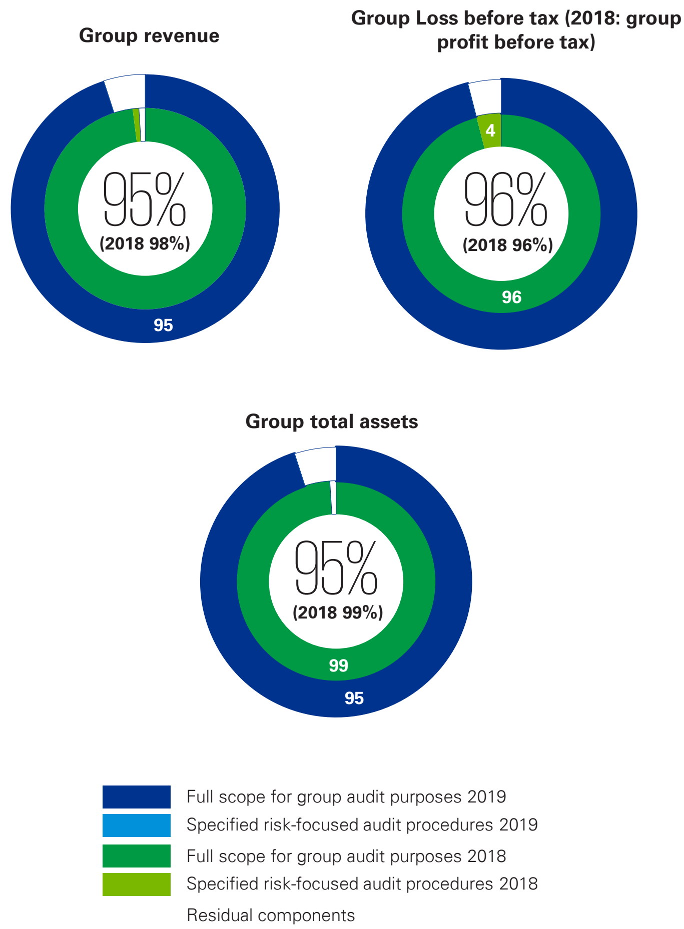
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 5% of total group revenue, 4% of group loss before tax, and 5% of group total assets is represented by 2 (2018: nil) reporting components, none of which individually represented more than 3% of any of total group revenue, group loss before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £53k to £290k, having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 9 components (2018: 3 of the 9 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Conference meetings were held with component auditors and at these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.





5.We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement page 23 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

6. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 57, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.We identified the following areas as those most likely to have such an effect: health and safety and employment law, recognising the nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Sovereign Square

Sovereign Street

Leeds

LS1 4DA

31 October 2019

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH

	Notes	2019 £000	2018 * £000
Revenue	3	**144,851**	146,214
Statutory operating (loss) / profit	3, 5	**(12,593)**	9,907
Finance revenue	8	**58**	99
Finance expense	8	**(2,119)**	(1,839)
(Loss) / profit before tax		**(14,654)**	8,167
Income tax (expense) / credit	9	**(3,978)**	325
(Loss) / profit after tax		**(18,632)**	8,492
Attributable to -			
Equity holders of the parent		**(18,632)**	8,492
		(18,632)	8,492

The above results were derived from continuing operations.

	Notes	2019	2018
(Loss) / earnings per ordinary share	10		
Basic		**(25.4)** p	11.6 p
Diluted		**(25.4)** p	11.6 p

* The group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 4.

Alternative Performance Measures - Underlying operating profit and proforma unaudited adjusted operating profit

	Notes	2019 £000	2018 £000
Statutory operating (loss) / profit		**(12,593)**	9,907
Exceptional items			
Rationalisation and restructuring costs	7	**1,935**	556
Compensation for loss of office	7	**-**	265
Charge in respect of retirement benefits - see note 22	7,22	**3,559**	-
Impairment review of LED Technologies - see notes 12 and 13	7	**8,480**	-
Other**	7	**(66)**	83
Underlying operating profit		**1,315**	10,811
Proforma unaudited adjustment - Exceptional price concession on exit of mid-volume automotive business	7	**7,104**	-
Proforma unaudited adjusted operating profit		**8,419**	10,811

**Other items comprise litigation costs, costs associated with proposed offer, impairment of CIT and profit on disposal of surplus properties

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH

	2019 £000	2018 £000
(Loss) / profit for the year	**(18,632)**	8,492
Other comprehensive income -		
Items that will not be reclassified to the income statement		
Remeasurement (losses) / gains on defined benefit scheme	**(16,293)**	2,150
Deferred tax arising	**(5,260)**	(392)
Total items that will not be classified to the income statement	**(21,553)**	1,758
Items that are or may in future be classified to the income statement		
Foreign exchange translation differences	**1,260**	(2,943)
Net investment hedge	**(425)**	705
Deferred tax arising	**(61)**	138
Total items that are or may in future be classified to the income statement	**774**	(2,100)
Other comprehensive (expense), net of tax	**(20,779)**	(342)
Total comprehensive (expense) / income for the period	**(39,411)**	8,150
Attributable to -		
Equity holders of the parent	**(39,411)**	8,150
Non-controlling interests	**-**	-
Total comprehensive (expense) / income for the period	**(39,411)**	8,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Notes	2019 £000	2018 * £000
Assets			
Intangible assets	12	**24,144**	25,311
Property, plant and equipment	13	**42,495**	46,446
Investments	14	**7**	7
Deferred tax assets	21	**442**	8,731
Trade and other receivables	17	**126**	143
Total non current assets		**67,214**	80,638
Inventories	15	**19,657**	19,812
Contract assets	16	**20,264**	-
Trade and other receivables	17	**32,101**	46,449
Cash and cash deposits	18	**10,330**	12,962
Non current assets classified as held for sale	19	**-**	200
Total current assets		**82,352**	79,423
Total assets		**149,566**	160,061
Liabilities			
Interest bearing loans and borrowings	20	**1,048**	29,253
Deferred tax liabilities	21	**4,051**	4,070
Provisions	23	**-**	323
Trade and other payables	25	**132**	208
Retirement benefit obligations	22	**49,121**	29,798
Total non current liabilities		**54,352**	63,652
Trade and other payables	24	**31,444**	28,313
Current tax liabilities		**867**	731
Contract liabilities	4	**2,540**	-
Provisions	23	**333**	161
Interest bearing loans and borrowings	20	**47,763**	15,185
Total current liabilities		**82,947**	44,390
Total liabilities		**137,299**	108,042
Net assets		**12,267**	52,019
Equity			
Ordinary share capital issued	26	**3,671**	3,664
Share premium		**7,359**	7,359
Translation reserve	27	**7,008**	6,234
Retained earnings	27	**(5,745)**	34,788
Total equity attributable to equity holders of the parent		**12,293**	52,045
Non-controlling interests		**(26)**	(26)
Total equity		**12,267**	52,019

* The group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 4.

Approved by the board of directors and signed on its behalf by -

Mark Rollins

} directors

Peter Slabbert

31 October 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company					Non-	
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000	controlling interests £000	Total equity £000
Balance at 1 April 2017*	3,650	7,359	8,334	24,946	44,289	(26)	44,263
Profit for the year	-	-	-	8,492	8,492	-	8,492
Other comprehensive income/loss -							
Foreign exchange translation differences	-	-	(2,943)	-	(2,943)	-	(2,943)
Net investment hedge	-	-	705	-	705	-	705
Remeasurement gains on defined benefit scheme	-	-	-	2,150	2,150	-	2,150
Taxation on items above	-	-	138	(392)	(254)	-	(254)
Total comprehensive income/(loss) for the period	-	-	(2,100)	10,250	8,150	-	8,150
Transactions with owners recorded directly in equity -							
Share based payments	-	-	-	(40)	(40)	-	(40)
Exercise of share options	14	-	-	(262)	(248)	-	(248)
Issue of share capital, net of costs	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-
Taxation on items recorded directly in equity	-	-	-	(106)	(106)	-	(106)
Balance at 31 March 2018*	**3,664**	**7,359**	**6,234**	**34,788**	**52,045**	**(26)**	**52,019**
Balance at 1 April 2018, as previously reported	**3,664**	**7,359**	**6,234**	**34,788**	**52,045**	**(26)**	**52,019**
Adjustment on initial application of IFRS 15, net of tax.*	**-**	**-**	**-**	**(69)**	**(69)**	**-**	**(69)**
Adjusted balance at 1 April 2018	**3,664**	**7,359**	**6,234**	**34,719**	**51,976**	**(26)**	**51,950**
Loss for the year	**-**	**-**	**-**	**(18,632)**	**(18,632)**	**-**	**(18,632)**
Other comprehensive income/(loss) -							
Foreign exchange translation differences	**-**	**-**	**1,260**	**-**	**1,260**	**-**	**1,260**
Net investment hedge	**-**	**-**	**(425)**	**-**	**(425)**	**-**	**(425)**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**(16,293)**	**(16,293)**	**-**	**(16,293)**
Taxation on items above	**-**	**-**	**(61)**	**(5,260)**	**(5,321)**	**-**	**(5,321)**
Total comprehensive income/(loss) for the period	**-**	**-**	**774**	**(40,185)**	**(39,411)**	**-**	**(39,411)**
Transactions with owners recorded directly in equity -							
Share based payments	**-**	**-**	**-**	**36**	**36**	**-**	**36**
Exercise of share options	**7**	**-**	**-**	**(97)**	**(90)**	**-**	**(90)**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**(218)**	**(218)**	**-**	**(218)**
Balance at 31 March 2019	**3,671**	**7,359**	**7,008**	**(5,745)**	**12,293**	**(26)**	**12,267**

* The group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 4.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH

	Notes	2019 £000	2018 £000
Cash generated from operations	*29*	**4,145**	6,257
Interest paid		**(1,202)**	(1,016)
Tax paid		**(1,107)**	(1,693)
Net cash from operating activities		**1,836**	3,548
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**333**	48
Interest received		**58**	99
Acquisition of property, plant and equipment		**(6,897)**	(8,773)
Acquisition of intangible assets - computer software		**(87)**	(350)
Net cash from investing activities		**(6,593)**	(8,976)
Cash flows from financing activities		**215**	750
Drawings on term new loans facilities		**26**	-
Cash outflow in respect of performance share plan awards		**(52)**	(248)
Repayment of finance leases		**(453)**	-
Net cash from financing activities		**(264)**	502
Net decrease in cash and cash equivalents		**(5,021)**	(4,926)
Cash and cash equivalents at beginning of period		**(2,223)**	3,381
Effect of exchange rate fluctuations on cash held		**206**	(678)
Cash and cash equivalents at end of period		**(7,038)**	(2,223)
Cash and cash equivalents comprise -			
Cash and cash deposits		**10,330**	12,962
Bank overdrafts		**(17,368)**	(15,185)
		(7,038)	(2,223)

1 Basis of preparation

Going Concern

The financial statements are prepared on the going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 14 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 16 to 18. The directors' assessment of the viability of the Group is set out in the Viability Statement on page 22. In addition note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Net debt at 31 March 2019, excluding operating leases, was £38.5m, increasing from £31.5m at 31 March 2018. The increase was driven by capital investment and the profile of cash receipts from customers for ongoing design, development and tooling programmes and by the significant increase in production volumes in the LED Technologies division which absorbed working capital. After the year end, net debt levels improved following the decision to exit three mid-volume programmes at Wipac as monies were received from customers in respect of the work done on the design, development and tooling for these programmes. By the end of August 2019, net debt, excluding operating leases, had fallen to £26.2m.

The Directors have prepared base and sensitised cash flow forecasts for a period in excess of eighteen months from the date of their approval of these financial statements. The Directors have also considered the debt facilities available to the Group which are disclosed in note 20 to the financial statements and comprise an overdraft of £15m and a £30m revolving credit facility maturing in January 2021, a period of fifteen months from the date of this report. The revolving credit facility, which at October 2019 is fully drawn, was due to mature in March 2020 but the term has been extended to January 2021. The overdraft facility was reduced to £10m at the end of September 2019, with headroom forecast to be at sufficient levels after this reduction in facility.

The net debt to underlying EBITDA banking covenant test at 31 March 2019 was deferred by the bank in advance of the year end. Had the covenant been tested net debt would have been 2.74 times proforma unaudited adjusted EBITDA against a covenant of 2.75 times. Under the base case, the Group's financing is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period.

The Board has considered two scenarios: a disposal of Wipac and retention of the business whilst the current level of significant customer support remains.

There are a number of uncertainties in relation to a disposal in relation to disposal proceeds and timing. In the event a disposal is not achieved the Board will pursue alternative options to protect the Group from the ongoing underlying losses of Wipac.

Whilst the business is retained, there are a number of assumptions that have been made in the forecast including:

Wipac customer support

Continued operation of Wipac depends on significant support from customers in the form of price surcharges and contributions towards tooling improvements and other operational improvement programmes. It also involves customers bearing their own emergency freight charges. All customers have signed up to this plan, although this is subject to review on a weekly basis and should any support be withdrawn, or should any customers choose to take production contracts elsewhere, this will have a material impact on Wipac's ability to continue in operation.

No contingent liabilities, including warranty claims, giving rise to a material cash outflow

No significant claims for exiting from the mid-volume programmes or in relation to the operational issues have been received. In addition, remaining customers have agreed not to charge any penalties or admin fees for missed or short deliveries. However, were this situation to change in the future, a contingent liability or claim could arise giving rise to a material cash outflow that could not be met in the normal course of business.

Continued bank support

The base case forecasts and bank covenants have been prepared on the basis that Wipac is disposed of. Should Wipac not be disposed of by the end of October, the bank facility agreement states that the covenants will need to be renegotiated by the end of November. Our base case cash flow forecasts assume a receipt of cash from the disposal process by March 2020. If this were not the case, and in the absence of significant cash from any alternative options, it is likely that the 31 March 2020 covenant would be breached and would need to be renegotiated.

1 Basis of preparation continued

Other assumptions in relation to the remainder of the Group include:

Suppliers continuing to offer normal commercial credit terms

Certain credit insurers have removed cover on the Group. To date this has not had a material impact on the cash flows. The cash forecast assumes that suppliers continue to offer normal commercial credit terms. Any move to acceleration of supplier payments could impact on cash requirements.

Customers paying invoices to terms

Any significant delay in receiving payment could impact on headroom.

Ongoing trading performance

The Technical Plastics Division has won a number of new sales programmes which are due to start in the current financial year. Any delay in commencement or in the ramp up of forecast volumes or failure to deliver revenue and margin growth could reduce headroom, as could any material trading underperformance in the remaining businesses or loss of existing customers.

Capital investment projects completing on time and on budget

The Technical Plastics Division has won a number of new sales programmes which require capital investment. If this investment is not completed on time and on budget, there could be further cash requirements

Lenders continuing to offer the facilities described above

£30m of the bank funding relates to a committed facility in place until 31 January 2021. The remainder is an overdraft that is repayable on demand that has been reduced to £10m in September 2019. The base case cash flow forecasts and hence the going concern assessment have been prepared on the basis that the bank continues to extend a sufficient overdraft facility for the period to January 2021.

Bank permission is required for the disposal of Wipac.

Wipac is a guarantor of the Group bank facility and following disposal, the Group is reliant on the support of the bank to waive these cross-guarantees. Whilst the bank has indicated its support, there is no guarantee that this waiver will be granted.

Financial sensitivity modelling was carried out which assessed the impact of the risks noted above both individually and in aggregate on both headroom and bank covenants.

The Board concluded that in the event of any of these individual risks occurring and having a material impact on the forecasts, the Group would require the support of its lenders by way of additional overdraft facility or covenant waiver / deferral.

Based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the successful disposal of the Wipac business in the near-term or, in the absence of this, to appropriate actions being taken to protect the Group from Wipac's underlying losses and subject to the ongoing support of the Group's lending bank, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

1 Accounting policies

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 115 to 125.

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

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

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 2018. 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 2018:

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements, however the overall impact on the financial statements is not material. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

1 Accounting policies continued

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018). IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018. Further details including the impact of this standard on the Consolidated Financial Statements can be found in note 4.

Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2018);
IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018);

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2018); and
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date 1 January 2018).

These standards have not had a material impact on the Consolidated Financial Statements unless indicated.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2019.
The Group has elected not to adopt early these standards which are described below.

IFRS 16 Leases (effective date 1 January 2019).

This new standard will impact the recognition, measurement and disclosure of operating leases.

The impact of IFRS 16 Leases is currently being assessed. Under IFRS 16 Leases, lessees will be required to apply a single model to recognise a lease liability and asset for all leases, including those classified as operating leases under current accounting standards, unless the underlying asset has a low value or the lease term is 12 months or less. The adoption of IFRS 16 will have a significant impact on the results as each lease will give rise to a right of use asset which will be depreciated on a straight-line basis, and a lease liability with a related interest charge. The depreciation and interest will replace the operating lease payments currently recognised as an expense. The impact will depend on the transition approach and the contracts in effect at the time of the adoption.

On the date of transition to IFRS 16, 1 April 2019, it is expected that right-of-use leased assets and lease liabilities will be recognised on the Consolidated Statement of Financial Position with equal and opposite values expected to be within the range £6.5 million to £9.5 million. In the year to 31 March 2020 it is anticipated that the adoption of IFRS 16 will have the impact on the consolidated income statement of increasing depreciation costs by £1.5 million to £2.3 million, increasing finance costs by £0.2 million to £0.3 million and reducing operating lease costs by £1.6 million to £2.3 million.

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

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

a) Basis of accounting

The financial statements are prepared on the historical cost basis except that derivative financial instruments and share options are stated at their fair value. Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

b) Basis of consolidation

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

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.
The group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally a fair value) of the identifiable assets acquired and liabilities assumed.

b) Basis of consolidation continued

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

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

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

ii) Acquisitions of non-controlling interests

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

c) Goodwill

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

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

Any goodwill arising on the acquisition of an overseas subsidiary is retranslated at the balance sheet date.
Goodwill arising prior to 31 March 1998 and previously written off to reserves has not been reinstated.

d) Other intangible assets

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

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

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

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

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

e) Amortisation

Intangible assets, other than goodwill, are amortised on a straight line basis to write off the cost of the asset, less estimated residual value, over the estimated economic life of the asset. Patents and development costs are amortised over a period of up to 10 years from the date upon which the patent or related development expenditure becomes available for use. Customer related intangibles are amortised over 7 to 10 years and computer software over 3 to 5 years.

f) Property, plant and equipment

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

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

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

No depreciation is provided on freehold land.

1 Accounting policies continued

g) Leases

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases, where this is not the case they are treated as operating leases. Amounts payable under operating leases are charged to net operating expenses on a straight line basis over the lease term.

h) Borrowing costs

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

i) Inventories

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

j) Revenue recognition

Revenue arises on the Group's principal activities. Further details are set out in note 4.

To determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for example for the design and development, prototyping, production tooling, production and spares provision of premium automotive lighting. The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices, or, in the absence of a stand-alone selling price, on a cost plus margin basis. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position (see Note 4). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

In the comparative period, revenue from the sale of goods was recognised in the income statement when the significant risks and rewards of ownership had been transferred to the buyer.

In the comparative period, with regard to sub contract tooling contracts, the Group used the "percentage of completion method" to determine the appropriate amount of revenue to be recognised in a given period when the outcome could be estimated reliably. Costs incurred to date as a percentage of total cost of completion represent the "percentage cost of completion". Costs on such tooling contracts were recognised when incurred unless they created an asset related to future activity on the contract. When it was probable that the total costs for a contract would exceed the total revenue, then the loss was recognised as an expense immediately.

k) Foreign currency transactions

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

l) Financial statements of foreign operations

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

1 Accounting policies continued

m) Net investment in foreign operations

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

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

n) Dividends

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

o) Net operating expenses

Net operating expenses incurred by the business are written off to the income statement as incurred.they are treated as operating leases. Amounts payable under operating leases are charged to net operating expenses on a straight line basis over the lease term.

p) Net financing costs

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

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

q) Cash and cash equivalents

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

r) Taxation

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for - goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

s) Retirement benefit costs

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

The net obligation in respect of the defined benefit plan is the present value of the defined benefit obligations less the fair value of the plan’s assets at the balance sheet date. The assumptions used to calculate the present value of the defined benefit obligations are detailed in note 22.

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

The operating and financing costs of the scheme are recognised separately in the income statement in the period they arise. Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made the Group has no further obligation.

1 Accounting policies continued

t) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

Prior to 1 April 2018 the Group classified its financial assets into one of the following categories:

loans and receivables - measured at amortised cost using the effective interest method;

held to maturity - measured at amortised cost using the effective interest method;

available for sale - measured at fair value and changes therein recognised in OCI and accumulated in the fair value reserve; and

FVTPL - measured at fair value and changes therein were recognised in profit or loss

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

1 **Accounting policies** continued

iii) Derecognition

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

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

iv) Offsetting

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

v) Hedge accounting

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

u) Share based payments

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

v) Impairment

i) Non-financial assets

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

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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units or group of units and then, to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

ii) Financial assets

The policy up until 31 March 2018 was as follows:

The carrying amounts of the Group's financial assets were reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication existed, the asset's recoverable amount was estimated.

On implementation of IFRS9, with effect from 1 April 2018, the policy on impairment of financial assets is as follows:

The Group measures loss allowances for estimate of expected credit losses ("ECLs") on:

- financial assets measured at amortised cost;
- contract assets (as defined in IFRS 15)

The Group measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which the credit risk has not increased significantly.

1 Accounting policies continued

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reproting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contracted cash flows and the cash flows the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the assets have occurred.

w) Exceptional items

In order for users of the accounts to better understand the underlying performance of the Group, the Board has separately disclosed transactions which, whilst falling within the ordinary activities of the Group, are, by virtue of their size or incidence, considered to be exceptional in nature. Such transactions include but are not limited to: costs of impairment, rationalisation, one-off retirement benefit effects, litigation costs and material bad debts.

Non operating exceptional items arise from costs incurred outside the ordinary course of the Group's business. Such items include profits, losses and associated costs arising on the disposal of surplus properties and businesses.

x) Segment reporting

Segmental information is presented on the same basis as that used for internal reporting to the chief operating decision maker.

y) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability to the extent that the effect of discounting is material.

z) Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

2 Accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Impairment of goodwill
Note 12 contains information about management's estimates of the recoverable amount of cash generating units and their risk factors. Management has exercised judgement over the underlying assumptions within the valuation models. These are key factors in their assessment of whether there is any impairment in related goodwill.

Key sources of estimation uncertainty -

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. As set out in more detail in note 12, the recoverable amounts may be based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the future cash flows. Details of the sensitivity of assumptions are included in note 12.

Recoverable amount of LED Technologies cash generating unit
Note 12 contains information about management's estimates of the recoverable amount of cash generating units and their risk factors. Management has exercised judgement over the underlying assumptions within the valuation models. These are key factors in their assessment of whether there is any impairment in related goodwill or other assets.

Key sources of estimation uncertainty -

The valuation of the LED Technologies cash generating unit ("CGU") has been determined by a fair value less costs of disposal ("FVLCOD") model derived from a valuation based on an estimated value which would be expected to be recovered through a distressed sale process and is also based on an indicative price of what a third party would be willing to pay for the business. This value will not necessarily be what the Group will ultimately recover given the uncertainties involved in completing the sale process and likely negotiations over the sales price. As an impairment has been recognised on the LED Technologies CGU this valuation is a key sources of estimation uncertainty which has a significant risk of resulting in a material adjustment to the carrying amount of the CGU within the next year because any changes in the value arising during the sale process have a direct impact and will affect the carrying value of the CGU. The carrying amount of the LED Technologies CGU is shown in note 3.

Pension assumptions
Note 22 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. Management has exercised its judgement in setting the underlying assumptions.

Key sources of estimation uncertainty -

The value of the defined benefit pension plan obligation is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. Differences arising from actual experience or future changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income. The Group exercises judgement in determining the assumptions to be adopted after discussion with a qualified actuary. Details of the key actuarial assumptions used and of the sensitivity of these assumptions are included within Note 22.

3 Segment reporting

The Group is organised into three, separately managed, business segments - Technical Plastics, LED Technologies 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 Steering Committee). The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

The LED Technologies segment develops innovative solutions in LED lighting, and is a leader in the development of high power LED lighting for the premium automotive industry. The Aerospace segment supplies systems to the manufacturing and aerospace industries. Transfer pricing between business segments is set on an arm's length basis. Segmental revenues and results include transfers between business segments. Those transfers are eliminated on consolidation. The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

3 Segment reporting continued

Analysis by business segment

The segment results for the year ended 31 March 2019 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement						
						-
Total revenue	93,506	47,479	6,720	-	(2,854)	144,851
Less inter-segment revenue	(2,663)	(191)	-	-	2,854	-
External revenue	90,843	47,288	6,720	-	-	144,851
Expenses	(83,997)	(51,145)	(5,422)	(2,972)	-	(143,536)
Underlying operating profit/loss	6,846	(3,857)	1,298	(2,972)	-	1,315
Proforma unaudited adjustment - exceptional price concession on exit of mid-volume automotive business	-	7,104	-	-	-	7,104
Proforma unaudited adjusted operating profit / (loss)	6,846	3,247 -	1,298	(2,972)	-	8,419
Rationalisation costs	(514)	(971)	-	(451)	-	(1,936)
Costs associated with proposed offer	-	-	-	(52)	-	(52)
Profit arising on the disposal of surplus properties	118	-	-	-	-	(118)
Impairment of LED Technologies	-	(8,479)	-	-	-	(8479)
Charge in respect of retirement benefits	-	-	-	(3,559)	-	(3,559)
Proforma unaudited adjustment - exceptional price concession on exit of mid-volume automotive business	-	(7,104)	-	-	-	(7,104)
Statutory operating profit/(loss)	6,450	(13,307)	1,298	(7,034)	-	(12,593)
Net finance expense						(2,061)
Income tax credit						(3,978)
Loss after tax						(18,632)

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated statement of financial position						
Segment assets	92,387	46,557	6,352	4,270	-	149,566
Segment liabilities	(17,037)	(25,071)	(1,046)	(94,145)	-	(137,299)
Net assets	75,350	21,486	5,306	(89,875)	-	12,267

Other segmental information

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Capital expenditure on property, plant and equipment	1,937	5,574	311	-	-	7,822
Capital expenditure on computer software	42	23	-	22	-	87
Depreciation	4,009	1,071	178	2	-	5,260
Amortisation of computer software	20	73	-	100	-	193
Amortisation of other intangibles	56	30	-	-	-	86

3 Segment reporting continued

The segment results for the year ended 31 March 2018 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement						
Total revenue	92,237	50,707	6,072	-	(2,802)	146,214
Less inter-segment revenue	(2,584)	(118)	(100)	-	2,802	-
Total external revenue	89,653	50,589	5,972	-	-	146,214
Expenses	(82,980)	(44,167)	(5,225)	(3,031)	-	(135,403)
Underlying operating profit	6,673	6,422	747	(3,031)	-	10,811
Rationalisation costs	(98)	-	-	(458)	-	(556)
Compensation for loss of office	-	-	-	(265)	-	(265)
Costs arising on the disposal of surplus properties	-	-	-	4	-	4
Impairment of CIT Technology	-	-	-	(66)	-	(66)
Litigation costs	-	-	-	(21)	-	(21)
Operating profit/(loss)	6,575	6,422	747	(3,837)	-	9,907
Net finance expense						(1,740)
Income tax expense						325
Profit after tax						8,492

	Technical Plastics £000	LED Technologies £000	Aerospace £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated statement of financial position						
Segment assets	100,640	44,164	6,486	8,771	-	160,061
Segment liabilities	(22,516)	(9,698)	(784)	(75,044)	-	(108,042)
Net assets	78,124	34,466	5,702	(66,273)	-	52,019
Other segmental information						
Capital expenditure on property, plant and equipment	6,079	2,966	81	149	-	9,275
Capital expenditure on computer software	37	53	-	260	-	350
Capital expenditure on other intangibles	-	-	-	-	-	-
Depreciation	3,592	938	165	37	-	4,732
Amortisation of computer software	19	30	-	112	-	161
Amortisation of other intangibles	56	31	-	33	-	120

3 Segment reporting continued

Analysis by geographical segment

The business operates in three main geographical regions - the United Kingdom, North America and in lower cost regions including the Czech Republic, China and India, and the geographical analysis was as follows -

	External revenue		Net segment assets		Expenditure on tangible fixed assets and computer software	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**39,559**	40,948	**(44,777)**	(10,732)	**6,731**	7,323
North America	**46,566**	45,199	**30,114**	30,569	**770**	860
Rest of world	**58,726**	60,067	**26,930**	32,182	**408**	1,442
	144,851	146,214	**12,267**	52,019	**7,909**	9,625

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 unallocated segment assets and liabilities are retirement benefit obligation net liabilities of £49.121 million (2018 - net liabilities of £29.798 million), and net borrowings of £37.374 million (2018 - £38.545 million).

One Technical Plastics customer accounted for 17.6% of Group revenues (2018 – 17.6%) and one LED Technologies customer accounted for 13.1% of group revenues (2018 - 16.2%) and similar proportions of trade receivables. No other customer accounted for more than 10.0% of revenues in the year or prior year.

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

Deferred tax assets by geographical location are as follows, United Kingdom £nil (2018 - £8.335 million), North America £0.139 million (2018 - £0.186 million), Rest of world £0.303 million (2018 - £0.209 million).

Total non-current assets by geographical location are as follows, United Kingdom £ 25.434 million (2018 - £28.850 million), North America £21.918 million (2018 - £21.593 million), Rest of world £19 million (2018 - £21.314 million).

4 Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' has been adopted from 1 April 2018. This replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed seperately where different from those under IFRS 15 and the impact of changes is disclosed below.

a) Nature of goods and services

The following is a description of the principal activities - separated by reportable segments - from which the Group generates its revenues. For more detailed information about reportable segments, see note 3.

i) Technical plastics segment:

The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products. Technical Plastics revenues comprise two typical project types; manufacturing and tooling.

The majority of Technical Plastics' business is in manufacturing injection moulded product.

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, on delivery of individual manufactured products are delivered to customers. There is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15.

Tooling

The Technical Plastics business also produces injection moulding tools for customers.

Under IFRS 15, an input method of measuring progress towards complete satisfaction of the tooling performance obligation is used, based on costs incurred using a cost to complete approach (i.e. the "percentage of completion method").

This is considered appropriate since the pattern of incurring of costs is representative of the enhancement of the tool.

Under IAS 18, tooling contract revenue was attached to a single performance obligation to produce an injection moulding tool and was recognised over time using a cost to complete approach. Accordingly, there is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15 in relation to tooling revenues within Technical Plastics.

ii) LED Technologies segment:

The LED Technologies segment designs and supplies specialised injection moulded LED based lighting systems for the premium automotive industry and supplies LED optics for various industries.

Premium Automotive Lighting

Manufacturing

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, on delivery of individual manufactured products are delivered to customers. Therefore there is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15.

Tooling

Premium Automotive Lighting contracts are complex and vary in scope and detail.

For design, development and tooling, which is generally a single performance obligation, revenue is recognised over time using an output measure of value delivered to the customer based on project milestones reached.

Under IAS 18 and IAS 11 Construction Contracts design, development and tooling was typically accounted for as a single performance obligation to design, develop and produce an injection moulding tool; revenue was recognised over time using a cost to complete approach (i.e. the "percentage of completion method"). Because of the nature of design, development and tooling contracts within Premium Automotive Lighting, where contracts are complex and vary in scope and detail, an output method of measuring progress more accurately depicts the transfer of control of design, development and tooling and progress towards delivery of the asset to the customer than a cost to cost approach. The timing of revenue recognition for output based milestones may differ under IFRS 15 depending on the specific requirements of the contract compared to input costs in determining revenue recognition.

iii) Aerospace segment

The Aerospace segment manufactures components for the aerospace industries.

Control of manufactured finished goods transfers to customers on delivery. Therefore revenue is recognised at a point in time, on delivery of individual manufactured products are delivered to customers. There is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15.

4 Revenue from Contracts with Customers continued

b) Disaggregation of revenue

	Technical Plastics 2019 £000	Technical Plastics 2018* £000	LED Technologies 2019 £000	LED Technologies 2018* £000	Aerospace 2019 £000	Aerospace 2018* £000	Group total 2019 £000	Group total 2018* £000
Major products/service lines								
Manufacturing	**80,099**	76,056	**33,434**	26,922	**6,720**	5,972	**120,253**	108,950
Tooling	**10,744**	13,597	**13,854**	23,667	**-**	-	**24,598**	37,264
	90,843	89,653	**47,288**	50,589	**6,720**	5,972	**144,851**	146,214
Timing of revenue recognition								
Products transferred at a point in time	**80,099**	76,056	**33,434**	26,922	**6,720**	5,972	**120,253**	108,950
Products and services transferred over time	**10,744**	13,597	**13,854**	23,667	**-**	-	**24,598**	37,264
	90,843	89,653	**47,288**	50,589	**6,720**	5,972	**144,851**	146,214

* The Group has initally applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

c) Contract balances

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

	31 March 2019 £000	1 April 2018* £000
Trade receivables (see note 17)	**23,046**	19,693
Contract assets (see note 16)	**20,264**	-
Contract liabilities	**(2,540)**	-
	43,539	19,693

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on its tooling and premium automotive lighting contracts.

The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities relate to the advance consideration received from customers before the related revenue has been recognised; this applies to tooling contracts in both Premium Automotive Lighting and Technical Plastics.

Premium Automotive Lighting contracts are complex and there is no typical timing of payment. Accordingly contract assets and contract liabilities can vary depending on the circumstances of an individual contract.

* The Group has initally applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

4 **Revenue from Contracts with Customers** continued

d) Transaction price to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are (partially) unsatisfied at the reporting date:

Revenue expected to be received

	2020 £000	2021 £000	2022 £000	2023 £000
Tooling - Technical Plastics	**£1,112**	-	-	-
Tooling - LED Technologies	**£3,567**	-	-	-
	4,679	-	-	-

e) Impacts on financial statements

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated financial statements for the year ending 31 March 2019 -

	As reported £000	Adjustments £000	Balances without adoption of IFRS 15 £000
Consolidated statement of financial position			
31 March 2019			
Deferred tax assets	442	-	442
Inventories	19,657	-	19,657
Trade and other receivables	32,227	(1,724)	30,503
Contract assets	20,264	(2,122)	18,142
Other assets	76,976	-	76,976
Total assets	**149,566**	**(3,846)**	**145,720**
Deferred tax liabilities			
Trade and other payables	4,051	-	4,051
Contract liabilities	31,576	(3,047)	28,529
Provisions	2,540	(1,133)	1,407
Other liabilities	333	-	333
Total liabilities	98,799	**-**	98,799
	137,299	**(4,180)**	**133,119**
Retained earnings			
Other equity	(5,745)	334	(5,411)
Total equity	18,012	**-**	18,012
	12,267	**334**	**12,601**

	As reported £000	Adjustments £000	Balances without adoption of IFRS 15 £000
Consolidated statement of profit or loss and OCI			
31 March 2019			
Revenue	144,851	3,264	148,115
Raw materials and consumables	(74,344)	-	(74,344)
Other operating charges	(19,048)	(2,999)	(22,047)
Other administrative expenses	(64,052)	-	(64,052)
Net finance expenses	(2,061)	-	(2,061)
Income tax expense	(3,978)	-	(3,978)
Profit for the period	**(18,632)**	**265**	**(18,367)**
Other comprehensive income	(20,779)	-	(20,779)
Total comprehensive income	**(39,411)**	**265**	**(39,146)**

Adjustments to revenue, other operating charges, trade and other receivables, trade and other payables, contract assets and contract liabilities resulting from the adoption of IFRS 15 relate principally to the use of the output basis of revenue recognition for Premium Automotive Lighting tooling contracts.

5 Operating (loss)/profit

	2019 £000	2018 £000
Operating (loss) / profit is arrived at as follows -		
Revenue	**144,851**	146,214
Increase in stocks of finished goods and work in progress	**(1,613)**	934
	143,238	147,148
Raw materials and consumables	**72,731**	70,719
Personnel expenses (see note 6)	**41,796**	37,714
Impairment loss on trade and other receivables, including contract assets	**21**	-
Amortisation of intangible assets	**279**	281
Depreciation of property, plant and equipment	**5,260**	4,732
Auditor's remuneration -		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**119**	84
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**106**	101
Audit related assurance services	**15**	10
Tax advisory services	**-**	27
Total	**240**	222
Operating lease rentals -		
Property	**1,900**	1,535
Plant and machinery	**372**	392
Total	**2,272**	1,927
Rationalisation costs (see note 7)	**1,935**	556
Costs associated with proposed offer (see note 7)	**52**	-
Litigation costs (see note 7)	**-**	21
Profit arising on the disposal of surplus properties (see note 7)	**(118)**	(4)
Charge in respect of retirement benefits (see note 22)	**3,559**	-
Compensation for loss of office (see note 7)	**-**	265
Impairment of LED Technologies (see note 7)	**8,480**	-
Impairment review of CIT Technology (see note 7)	**-**	66
Foreign exchange (gains)	**(220)**	(8)
Pension scheme administration costs	**496**	713
Other operating charges	**19,048**	20,037
	155,831	137,241
Statutory operating (loss) / profit	**(12,593)**	9,907

6 Personnel Expenses

	2019 £000	2018 £000
Wages and salaries	**35,528**	31,720
Social security contributions	**4,673**	4,891
Charge in respect of defined contribution and other pension plans	**1,559**	1,143
Share based payments (see note 26)	**36**	(40)
	41,796	37,714
Exceptional charges re past service costs (see notes 7 / 22)	**3,559**	-
	45,355	37,714

Redundancy costs of £0.250 million (2018 - £0.226 million) are excluded from the above analysis and included in note 7.

Directors' remuneration and emoluments, which are included in this analysis, are described in the directors' remuneration report on pages 41 to 56.
The gains made by the directors on the vesting of PSP awards during the period were:

	2019 £000	2018 £000
CJ Malley	**76**	197
SL Matthews-DeMers	**-**	-

The average monthly number of persons employed by the group during the year was as follows -

	2019 Number of employees	2018 Number of employees
By segment		
Unallocated	**22**	21
Technical Plastics	**957**	998
LED Technologies	**451**	351
Aerospace	**71**	72
	1,501	1,442
By geographic location		
United Kingdom	**699**	596
North America	**334**	310
Rest of world	**468**	536
	1,501	1,442

7 Exceptional items

	2019 £000	2018 £000
Rationalisation costs	**(1,935)**	(556)
Charge in respect of retirement benefits - see note 22	**(3,559)**	-
Impairment review of LED Technologies - see notes 12 and 13	**(8,480)**	-
Litigation costs	**-**	(21)
Costs associated with proposed offer	**(52)**	-
Compensation for loss of office	**-**	(265)
Profit arising on the disposal of surplus properties	**118**	4
Impairment review of CIT Technology	**-**	(66)
Exceptional items	**(13,908)**	(904)
Proforma unaudited adjustment - Exceptional price concession on exit of mid-volume automotive business	**(7,104)**	-
	(21,012)	(904)

Rationalisation costs included Wipac consultancy costs and stock write-offs along with the cost of restructuring the CTP Czech business and other redundancy costs in the US and the UK.

The £3.6 million charge in relation to retirement benefits relates to the cost of GMP equalisation. See note 22 for further details.

Further details of the LED impairment are given in notes 12 and 13.

During the year a £0.1 million profit was made on the disposal of the remaining Harthill property.

The £7.1 million proforma unaudited adjustment related to the exceptional price concession on exit of mid volume automotive business.

8 Finance revenue and expense

	2019 £000	2018 £000
Finance revenue comprises -		
Interest receivable on cash at bank	**58**	99
Finance revenue	**58**	99
Finance expense comprises -		
Bank loans and overdrafts	**(1,202)**	(1,009)
Finance lease interest	**(72)**	-
Other	**(57)**	-
Net interest on the net defined benefit liability	**(788)**	(830)
Finance expense	**(2,119)**	(1,839)

9 Income tax expense

	2019 £000	2018 £000
The expense recognised in the consolidated income statement comprises -		
United Kingdom corporation tax		
Corporation tax on (losses) / profits for the current year	**108**	-
Adjustments for prior years	**(83)**	652
Overseas taxation		
Current tax	**(1,272)**	(1,047)
Adjustments for prior years	**-**	(91)
Total current tax net expense	**(1,247)**	(486)
Deferred tax expense		
Origination and reversal of temporary differences -		
Deferred tax	**1,026**	(899)
Deferred tax - exceptional derecognition of deferred tax assets	**(3,978)**	-
Adjustments for prior years	**221**	(280)
Rate change	**-**	1,990
Total deferred tax (charge) / credit	**(2,731)**	811
Total income tax (expense) / credit recognised in the consolidated income statement	**(3,978)**	325

Group factors affecting the tax charge for the year -

The tax assessed for the year is lower (2018 - lower) than the standard rate of corporation tax in the UK. The differences are explained as follows -

	2019 £000	2019 %	2018 £000	2018 %
(Loss) / profit before tax	**(14,654)**		8,167	
Income tax using standard rate of UK corporation tax of 19% (2018 - 19%)	**(2,784)**	**19.0**	1,552	19.0
Other items not deductible for tax purposes	**(486)**	**3.3**	77	0.9
Provision made against recoverability of Wipac assets	**2,677**	**(18.3)**	-	-
Adjustments in respect of overseas tax rates	**207**	**(1.4)**	341	4.2
Other temporary differences	**142**	**(1.0)**	(142)	(1.7)
Exceptional derecognition of deferred tax assets	**3,978**	**(27.1)**	-	-
Adjustment to current tax in respect of prior periods (UK and overseas)	**83**	**(0.6)**	(561)	(6.9)
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**(221)**	**1.5**	280	3.4
Foreign taxes expensed in the UK	**382**	**(2.6)**	118	1.5
Rate change on deferred tax	**-**	**-**	(1,990)	(24.4)
Total income tax (charge) / credit	**3,978**	**(27.2)**	(325)	(4.0)

On 22 December 2017 the Tax Cuts and Jobs Act in the USA was substantively enacted and reduced the federal corporate income tax rate from 35% to 21%. As at 31 March 2018 this reduced the carrying value of the Group's net USA deferred tax liabilities by £1.990 million with a corresponding tax credit being recognised in the consolidated income statement.

A net tax charge of £2.76 million (2018 credit: £0.203 million) has been classified as exceptional items, mainly in relation to derecognition of UK deferred tax assets in the year.

Tax on items charged outside of the Consolidated Income Statement -

	2019 £000	2018 £000
Deferred tax relating to actuarial remeasurement of the defined benefit scheme	**5,260**	392
Share based payments	**218**	106
Foreign exchange movements	**61**	(138)
Total income tax credited to equity	**5,539**	360

10 Earning 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 -

	2019 £000	2018 £000
(Loss) / profit after tax from continuing operations	**(18,632)**	8,492
Loss attributable to non-controlling interests	**-**	-
(Loss) / profit after tax, attributable to equity holders of the parent	**(18,632)**	8,492

	2019 Shares	2018 Shares
Weighted average number of ordinary shares in the year	**73,374,078**	73,210,394
Effect of share options in issue	**-**	1,296
Weighted average number of ordinary shares (diluted) in the year	**73,374,078**	73,211,690

In addition to the above, the company also calculates an earnings per share based on underlying profit as the Board believes this to be a better yardstick against which to judge the progress of the Group. Underlying profit is defined as profit before impairments, rationalisation costs, one-off retirement benefit effects, exceptional bad debts, exceptional stock losses, business closure costs, litigation costs and the impact of property and business disposals, net of attributable taxes. These items are excluded as they do not reflect the underlying performance of the group as they are non-recurring.

The following table reconciles
- the Group's profit to underlying profit used in the numerator in calculating underlying earnings per share; and
- the Group's profit to proforma unaudited underlying profit used in the numerator in calculating proforma unaudited adjusted earnings per share.

	2019 £000	2018 £000
(Loss) / profit after tax, attributable to equity holders of the parent	**(18,632)**	8,492
Exceptional items		
Rationalisation costs, net of tax	**1,837**	419
Costs associated with proposed offer	**52**	-
Compensation for loss off office, net of tax	**-**	215
Litigation costs, net of tax	**-**	17
Impairment review of LED Technologies, net of tax	**8,480**	-
Impairment review of CIT Technology, net of tax	**-**	53
Charge in respect of retirement benefits, net of tax	**3,559**	-
Profit arising on the disposal of surplus properties, net of tax	**(118)**	(3)
Non-operating exceptional items		
Tax credit resulting from the US Tax Cuts and Jobs Act	**-**	(1,990)
Derecognition of UK deferred tax assets	**2,858**	-
Underlying profit attributable to equity holders of the parent	**(1,964)**	7,203
Proforma unaudited adjustment - exceptional price concession on exit from mid-volume automotive business	**7,104**	-
Proforma unaudited adjusted profit attributable to equity holders of the parent	**5,140**	7,203

The US Tax Cuts and Jobs Act was substantively enacted during the year ended 31 March 2018 and reduced the federal corporate income tax rate from 35% to 21%. This resulted in a one-off tax credit to the income statement of £1.990 million.

10 Earnings per share continued

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

	2019 Pence	2018 Pence
Basic (loss) / earnings per share - continuing operations	**(25.4)**	11.6
Basic (loss) / earnings per share - total	**(25.4)**	11.6
Diluted (loss) / earnings per share - continuing operations	**(25.4)**	11.6
Diluted (loss) / earnings per share - total	**(25.4)**	11.6
Underlying (loss) / earnings per share - basic	**(2.7)**	9.8
Underlying (loss) / earnings per share - diluted	**(2.7)**	9.8
Proforma unaudited adjusted earnings per share - basic	**7.0**	9.8
Proforma unaudited adjusted earnings per share - diluted	**7.0**	9.8

11 Dividends paid and proposed

The directors are not proposing a final dividend for the year ended 31 March 2019.
No interim dividend has been paid after the year end.

12 Intangible assets

	Goodwill £000	**Patents and development costs £000**	**Customer related intangibles £000**	**Computer software £000**	**Total £000**
Cost					
Balance at 31 March 2017	25,692	29,814	1,050	1,808	58,364
Additions	-	-	-	350	350
Disposals	-	-	-	(32)	(32)
Effect of movements in foreign exchange	(313)	-	(53)	(41)	(407)
Balance at 31 March 2018	**25,379**	**29,814**	**997**	**2,085**	**58,275**
Additions	**-**	**-**	**-**	**87**	**87**
Reclassification from tangible, non-current assets	**-**	**-**	**-**	**47**	**47**
Effect of movements in foreign exchange	**305**	**-**	**45**	**38**	**388**
Balance at 31 March 2019	**25,684**	**29,814**	**1,042**	**2,257**	**58,797**
Amortisation					
Balance at 31 March 2017	1,474	29,614	429	1,145	32,662
Amortisation for the year	-	53	67	161	281
Impairment	-	66	-	-	66
Disposals	-	-	-	(31)	(31)
Effect of movements in foreign exchange	18	-	(3)	(29)	(14)
Balance at 31 March 2018	**1,492**	**29,733**	**493**	**1,246**	**32,964**
Amortisation for the year	**-**	**20**	**66**	**193**	**279**
Impairment	**1,060**	**61**	**53**	**191**	**1,365**
Effect of movements in foreign exchange	**17**	**-**	**15**	**13**	**45**
Balance at 31 March 2019	**2,569**	**29,814**	**627**	**1,643**	**34,653**
Carrying amounts					
At 1 April 2017	24,218	200	621	663	25,702
At 31 March 2018	23,887	81	504	839	25,311
At 31 March 2019	**23,115**	**-**	**415**	**614**	**24,144**

Impairment reviews were carried out at 31 March 2019 and an impairment of £1.365 million was recognised on intangible assets in respect of the LED Technologies cash generating unit.

12 Intangible assets (continued)

Impairment tests for cash generating units containing goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of the goodwill has been allocated to the Group's principal CGUs, being the operating segments described in the operating segment descriptions in note 3.

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

	2019	2018
	£000	£000
Technical Plastics	**21,747**	21,402
LED Technologies	**-**	1,088
Aerospace	**1,368**	1,397
	23,115	23,887

Technical Plastics

The impairment review of the Technical Plastics cash generating unit was based on a calculation of value in use. This calculation used board approved cash flow projections based on actual operating results and current forecasts.

Operating results, being the key assumption within the model, have been forecast for a period of four years. A four year period has been utilised given the relatively stable nature of the segment. Year one, year two and year three (2019/20, 2020/21 and 2021/22) were based on detailed budgets prepared by management. Year four is extrapolated using these budgets and assuming growth in the range 2.1% - 4.5% per annum (2018 - 3.0% - 5.1% per annum) dependent upon the markets served. From year five onwards growth is assumed to lie within the range 2.1% - 4.5% per annum (2018 - 1.9% - 4.2% per annum).

The cash flows were discounted at pre-tax rates in the range 9.8% - 14.3% (2018 - 9.3% - 12.8%). These rates are calculated and reviewed annually. 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. Subsequent to the balance sheet date the CGU has been trading ahead of its plan, however with all other assumptions being unchanged, a 0.1% increase in the discount rate or a 0.8% decrease in profitability would reduce the headroom on the Technical Plastics CGU to nil. Should the discount rate increase further than this or the profitability decrease further then an impairment of the goodwill would be likely.

Aerospace

The impairment review of the Aerospace cash generating unit was based on a calculation of value in use. This calculation used board approved cash flow projections based on actual operating results and current forecasts.

Operating results, being the key assumption within the model, have been forecast for a period of four years. A four year period has been utilised given the relatively stable nature of the segment. Year one, year two and year three (2019/20, 2020/21 and 2021/22) were based on detailed budgets prepared by management. Year four was extrapolated using these budgets and assuming growth of 0.0% per annum (2018 - 3.0% per annum). From year five onwards growth was assumed to be 0.0% per annum (2018 - 3.0% per annum).

The cash flows were discounted at pre-tax rates in the range 10.0% - 10.3% (2018 - 7.8%). These rates are calculated and reviewed annually. Changes in income and expenditure are based on expectations of future changes in the market.

The valuation of the Aerospace cash generating unit indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

LED Technologies

The significant operational issues experienced by the LED Technologies cash generating unit ("CGU") during the year led to a reduction in the recoverable value of the CGU. There has been a change in the valuation technique used to value this CGU and the impairment review of the LED Technologies CGU was based on an estimate of fair value less costs of disposal "FVLCOD" as this shows a higher recoverable amount than value in use.

The valuation of the LED Technologies CGU has been determined by a FVLCOD model based on an estimated value which would be expected to be recovered through a distressed sale process and is also based on an indicative price of what a third party would be willing to pay for the business. This valuation also includes the estimated costs of disposal. This valuation is a level 3 measurement which is based on inputs which are normally unobservable to market participants. The FVLCOD recoverable amount was lower than the carrying value of the assets in this CGU and therefore an impairment loss was recorded.

The goodwill and intangibles relating to the LED Technologies division were impaired and a charge of £1.060 million and £0.305 million was recognised. The property, plant and equipment was impaired down to its recoverable amount which was based on an estimated value which would be expected to be recovered through a distressed sale process. The impairment recognised against property, plant and equipment was £7.115 million. Other working capital balances within the LED Technologies CGU were not impaired on the basis that the assets were held at the recoverable amount.

The recoverable amount of the LED Technologies CGU is shown in the Segment reporting note 3.

13 Property, plant and equipment

	Land and buildings £000	Assets under construction £000	Plant and equipment £000	Total £000
Cost				
Balance at 31 March 2017	27,148	-	69,638	96,786
Additions	2,722	2,867	3,686	9,275
Disposals	-	-	(1,877)	(1,877)
Effect of movements in foreign exchange	(999)	-	(1,478)	(2,477)
Balance at 31 March 2018	**28,871**	**2,867**	**69,969**	**101,707**
Additions	**814**	**2,357**	**4,651**	**7,822**
Disposals	**(125)**	**-**	**(1,073)**	**(1,198)**
Reclassification	**67**	**-**	**(136)**	**(69)**
Effect of movements in foreign exchange	**635**	**-**	**817**	**1,452**
Balance at 31 March 2019	**30,262**	**5,224**	**74,228**	**109,714**
Depreciation and impairment losses				
Balance at 31 March 2017	6,649	-	46,714	53,363
Depreciation charge for the year	1,102	-	3,630	4,732
Disposals	-	-	(1,808)	(1,808)
Effect of movements in foreign exchange	(300)	-	(726)	(1,026)
Balance at 31 March 2018	**7,451**	**-**	**47,810**	**55,261**
Depreciation charge for the year	**1,266**	**-**	**3,994**	**5,260**
Disposals	**-**	**-**	**(1,057)**	**(1,057)**
Reclassification	**-**	**-**	**(22)**	**(22)**
Impairment	**589**	**2,724**	**3,802**	**7,115**
Effect of movements in foreign exchange	**237**	**-**	**425**	**662**
Balance at 31 March 2019	**9,543**	**2,724**	**54,952**	**67,219**
Carrying amounts				
At 1 April 2017	20,499	-	22,924	43,423
At 31 March 2018	21,420	2,867	22,159	46,446
At 31 March 2019	**20,719**	**2,500**	**19,276**	**42,495**

At 31 March 2019, properties with a carrying amount of £4.429 million were subject to a registered charge in favour of the Group pension scheme (2018 - £5.999 million).

At 31 March 2019, following the impairment review of the LED Technologies cash generating unit set out in Note 12, a £7.115 million impairment of tangible fixed assets was recognised.

14 Investments

	2019 £000	2018 £000
Equity securities at FVOCI	**7**	-
Equity securities available for sale	**-**	7
	7	7

At 1 April 2018 on implementation of IFRS 9, the Group designated the quoted investments as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale.

15 Inventories

	2019 £000	2018 £000
Raw materials and consumables	**11,207**	9,749
Work in progress	**699**	796
Finished goods	**7,751**	9,267
	19,657	19,812

The value of inventories is stated after impairment for obsolescence and write downs to net realisable value of £2.030 million (2018 - £1.427 million).

16 Contract assets

	2019 £000	2018 £000
Contract assets - see note 4	**20,264**	-

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets.

To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and are therefore not past due. The group has reviewed the risk characteristics and consider them to be the same as the trade receivables not past due for the same types of contracts. The group has concluded that the expected loss rates for the contract assets are therefore £Nil.

17 Trade and other receivables

	2019 £000	2018 £000
Amounts due within one year	**23,093**	19,725
Trade receivables	**(47)**	(32)
Less impairment provision	**23,046**	19,693
Accrued income	**-**	20,996
Prepayments	**5,160**	2,728
Other debtors	**3,895**	3,032
	32,101	46,449
Amounts due after one year		
Other debtors and prepayments	**126**	143
	126	143

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 31 March 2019 was determined as follows for trade receivables:

	2019			2018		
	Gross carrying amount £000	**Loss allowance £000**	**Expected loss rate %**	Gross carrying amount £000	Loss allowance £000	Expected loss rate %
Not past due	**17,728**	**-**	**0.0%**	15,408	-	0.0%
Past due 0 - 30 days	**4,055**	**-**	**0.0%**	3,838	-	0.0%
Past due 31 - 60 days	**321**	**6**	**1.9%**	243	-	0.0%
Past due 61 - 120 days	**214**	**-**	**0.0%**	90	-	0.0%
More than 120 days	**751**	**17**	**2.3%**	116	2	1.7%
	23,069	**23**	**4.1%**	19,695	2	1.7%

17 Trade and other receivables continued

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

	2019 £000	2018 £000
Balance at 1 April per IAS 39	2	15
Adjustment on initial application of IFRS 9	-	-
Balance at 1 April per IFRS 9	2	15
Amounts written off	-	(13)
Net measurement of loss allowance	21	-
Balance at 31 March	23	2

Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

18 Cash and cash deposits

	2019 £000	2018 £000
Cash at bank and in hand	10,330	12,962
	10,330	12,962

19 Non current assets classified as held for sale

	2019 £000	2018 £000
Surplus land and buildings	-	200
Net assets held for sale	-	200

During the year to 31 March 2019 surplus land and buildings at the closed Harthill, Scotland site with a written down value of £0.200 million were sold for proceeds of £0.318 million.

20 Interest bearing loans and borrowings

	2019 £000	2018 £000
Current -		
Bank overdrafts	17,368	15,185
Bank loans	29,893	-
Finance lease liabilities	494	-
Other loans	8	-
	47,763	15,185
Non current -		
Bank loans repayable between one and two years	-	29,253
Finance lease liabilities	1,030	-
Other loans	18	-
	1,048	29,253
Total interest bearing loans and borrowings	48,811	44,438

20 Interest bearing loans and borrowings continued

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2019 the gross amount of overdraft facilities available was £18.0 million (2018 - £16.0 million) of which £12.3 million was utilised at the year end (2018 - £7.0 million) net of qualifying cash balances.

Bank loans include £29.9 million (2018 - £29.3 million) secured on the assets of the Group.

At 31 March 2019 the Group had medium term multi-currency revolving loan facilities totalling £30.0 million (2018 - £30.0 million). These facilities were entered into on 27 March 2015 with the Group's principal UK banker. They were due to expire on 27 March 2020 but, subsequent to the year end, these facilities have been extended to 31 January 2021. At 31 March 2019 these facilities were drawn to the extent of £29.9 million (2018 - £29.3 million) and incur interest at the rate of between 1.75% and 3.10% above LIBOR.

The bank loan facilities are secured by guarantees from certain Group companies and by fixed and floating charges over certain of the assets of a number of the Group's companies. At 31 March 2019 the gross value of the assets secured, which includes applicable inter company balances, amounted to £75.7 million (2018 - £58.2 million). Excluding inter company balances the value of the security was £74.4 million (2018 - £42.5 million).

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

	Bank overdrafts used for cash management purposes £000	Bank loans £000	Finance lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2017	18,888	29,406	-	-	48,294
Changes from financing cash flows					
Drawings on term loan facilities	-	750	-	-	750
Cash outflow in respect of performance share plan awards	(248)	-	-	-	(248)
Total changes from financing cash flows	(248)	750	-	-	502
The effect of changes in foreign exchange rates	(38)	(903)	-	-	(941)
Other changes					
Liability changes					
Changes in bank overdraft	(4,334)	-	-	-	(4,334)
Interest expense	1,016	-	-	-	1,016
Interest receivable	(99)	-	-	-	(99)
Total liability-related other changes	(3,417)	-	-	-	(3,417)
Total equity-related other changes	-	-	-	-	-
Balance at 31 March 2018	15,185	29,253	-	-	44,438
Changes from financing cash flows					
Drawings on term loan facilities	**-**	**215**	**-**	**-**	**215**
New loans	**-**	**-**	**-**	**26**	**26**
Cash outflow in respect of performance share plan awards	**(52)**	**-**	**-**	**-**	**(52)**
Repayment of finance leases	**-**	**-**	**(453)**	**-**	**(453)**
Total changes from financing cash flows	**(52)**	**215**	**(453)**	**26**	**(264)**
The effect of changes in foreign exchange rates	**(11)**	**425**	**-**	**-**	**414**
Other changes					
Liability changes					
Changes in bank overdraft	**1,102**	**-**	**-**	**-**	**1,102**
New finance leases	**-**	**-**	**1,977**	**-**	**1,977**
Interest expense	**1,202**	**-**	**-**	**-**	**1,202**
Interest receivable	**(58)**	**-**	**-**	**-**	**(58)**
Total liability-related other changes	**2,246**	**-**	**1,977**	**-**	**4,223**
Total equity-related other changes	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2019	**17,368**	**29,893**	**1,524**	**26**	**48,811**

21 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following -

	2019 £000	2018 £000
Assets -		
Property, plant and equipment	**-**	2,808
Employee benefits	**-**	5,066
Short term timing differences	**155**	175
Share based payments	**-**	212
Tax losses	**287**	470
Deferred tax assets	**442**	8,731
Liabilities -		
Intangible assets	**2,416**	2,407
Property, plant and equipment	**1,480**	1,497
Short term timing differences	**35**	166
Tax losses	-	-
Foreign tax on undistributed foreign profits	**120**	-
Deferred tax liabilities	**4,051**	4,070
Net deferred tax (liability) / asset	**(3,609)**	4,661

Unrecognised deferred tax assets and liabilities

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

	2019 £000	2018 £000
Tax losses - trading	**1,768**	939
Tax losses - capital	**227**	227
Tax losses - non trading	**267**	-
Property, plant and equipment	**2,724**	-
Short term timing differences	**92**	-
Employee benefits	**8,350**	-
	13,428	1,166

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse. The nature of the tax regimes in certain regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain. This was not the case at 31 March 2019. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2019.

£0.3 million of the tax losses recognised at 31 March 2019 are time restricted to 5 years, the remainder are available to carry forward without time restriction.

At 31 March 2019 £0.1 million of deferred tax liabilities were recognised for taxes that would be deductible on the unremitted earnings of the Group's overseas subsidiary undertakings (2018 - nil). As the Group policy is to continually reinvest in those businesses, provision has not been made against unremitted earnings that are not planned to be remitted. If all earnings were remitted it is estimated that £0.8 million of additional tax would be payable (2018 - £0.9 million). It is expected that the additional withholding tax, that may be payable in the event that after Brexit dividends from subsidiaries localised in the EU were to become subject to withholding tax is £0.1 million.

Deferred tax assets and liabilities at 31 March 2019 have been calculated based on the rates substantively enacted at the balance sheet date. The UK Finance Bill 2016 provides for reductions in the UK corporation tax rate from 19% to 17% from 1 April 2020; this rate became substantively enacted on 6 September 2016.

On 22 December 2017 the Tax Cuts and Jobs Act in the USA was substantively enacted and reduced the federal corporate income tax rate from 35% to 21%. At 31 March 2018 this reduced the carrying value of the Group's net USA deferred tax liabilities by £2.0 million with a corresponding tax credit being recognised in the consolidated income statement.

21 Deferred tax assets and liabilities (continued)

	Balance as at 1 Apr 18 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 19 £000**
Property, plant and equipment	**1,311**	**(2,730)**	**(61)**	**(1,480)**
Intangible assets	**(2,407)**	**(9)**	**-**	**(2,416)**
Employee benefits	**5,066**	**194**	**(5,260)**	**-**
Share based payments	**212**	**6**	**(218)**	**-**
Short term timing differences	**9**	**111**	**-**	**120**
Tax losses	**470**	**(183)**	**-**	**287**
Foreign tax on undistributed foreign profits	**-**	**(120)**	**-**	**(120)**
	4,661	**(2,731)**	**(5,539)**	**(3,609)**

	Balance as at 1 Apr 17 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 18 £000
Property, plant and equipment	1,978	(667)	-	1,311
Intangible assets	(4,060)	1,497	156	(2,407)
Employee benefits	5,525	(67)	(392)	5,066
Share based payments	321	(3)	(106)	212
Short term timing differences	(56)	65	-	9
Tax losses	484	(14)	-	470
Foreign tax on undistributed foreign profits	-	-	-	-
	4,192	811	(342)	4,661

22 Retirement benefit obligations

The Group operates a defined benefit UK pension scheme which provides pensions based on service and final pay. Outside of the UK, retirement benefits are determined according to local practice and funded accordingly.

In the UK, Carclo plc sponsors the Carclo Group Pension Scheme (the "Scheme"), a funded defined benefit pension scheme which provides defined benefits for some of its members. This is a legally separate, trustee administered fund holding the Scheme's assets to meet long term pension liabilities for some 3,009 current and past employees as at 31 March 2018.

The Trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the Trustees is determined by the Scheme's trust documentation. It is policy that one third of all Trustees should be nominated by the members. The Trustees currently comprise three company-nominated trustees (of which one is independent and one is chairman) 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 scheme is closed to new entrants who now have the option of entering into a defined contribution scheme and the Company has elected to cease future accrual for existing members of the defined benefit scheme such that members who have not yet retired are entitled to a deferred pension.

The Company currently pays contributions to the Scheme as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

The Scheme is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

A full actuarial valuation was carried out as at 31 March 2015 in accordance with the scheme funding requirements of the Pensions Act 2004. The funding of the Scheme is agreed between the Group and the Trustees in line with those requirements. These in particular require the surplus or deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. This 31 March 2015 actuarial valuation showed a deficit of £46.1 million. Under the recovery plan agreed with the Trustees following the 2015 valuation, the Group agreed that it would aim to eliminate the deficit over a period of 14 years 8 months from 1 November 2015 by the payment of annual contributions of £1.2 million which increase at 2.9% per annum, together with the assumed asset returns in excess of the rate used to discount the liabilities. Under that plan, the amount payable for the year ending 31 March 2020 would have been £1.3 million plus expenses of the Scheme and the Pension protection 22

22 Retirement benefit obligations (continued)

Fund ("PPF") levy. The triennial actuarial valuation as at 31 March 2018 is currently being carried out but has not yet been finalised. The recovery plan will be updated following that valuation. After the year end an agreement was reached with the Trustees as to the level of contribution for the next 18 months. For the year ending 31 March 2020, the contributions will total £2.0 million including scheme expenses and PPF levy.

For the purposes of IAS19 the preliminary results of the actuarial valuation as at 31 March 2018, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2019. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

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

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

Risk	Description	Mitigation
Investment risk	Weaker than expected investment returns result in a worsening in the Scheme's funding position.	The Trustees continually monitor investment risk and performance and have established an investment sub-committee which includes a Group representative, meets regularly and is advised by professional investment advisors. Fiduciary investment management operates for tactical investment management of the plan assets. The Scheme invests approximately 72.5% of its asset value in a portfolio of diversified growth funds which aims to generate strong returns with less short-term volatility than equities.
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 75% of the Scheme's funded liabilities are currently hedged against interest rates using liability-driven investments and the Trustees have a step plan to incrementally increase this level of hedging as its funding position improves. Note that the Scheme hedges interest rate risk on a statutory and long-term funding basis (gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.The Scheme's exposure to corporate bonds mitigates this risk to some extent.
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 and hedge approximately 80% of total inflation linked liabilities. The growth assets held are expected to provide protection over inflation in the long term. Approximately 110% of the Scheme's funded liabilities are currently hedged against inflation.
Mortality risk	An increase in life expectancy leads to benefits being payable for a longer period which results in an increase in the Scheme's liabilities.	The Trustees' actuary provides regular updates on mortality, based on scheme experience, and the assumption continues to be reviewed.

The amounts recognised in the balance sheet in respect of the defined benefit scheme were as follows -

	2019	2018
	£000	£000
Present value of funded obligations	**(215,391)**	(199,883)
Fair value of scheme assets	**166,270**	170,085
Recognised liability for defined benefit obligations	**(49,121)**	(29,798)

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the Scheme's liabilities whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In this case as the Scheme is closed to future accrual, the accumulated benefit obligation is equal to the valuation using the projected unit credit method.

All actuarial gains and losses will be recognised in the year in which they occur in other comprehensive income. The cumulative remeasurement net loss reported in the statement of comprehensive income since 1 April 2004 is £49.457 million.

The present value of the deficit funding commitment to the Carclo Group Pension Scheme is less than the IAS 19 deficit at the balance sheet date and therefore IFRIC 14 has no effect on the figures disclosed.

22 Retirement benefit obligations (continued)

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

	2019 £000	2018 £000
Net liability for defined benefit obligations at the start of the year	**(29,798)**	(32,503)
Contributions paid	**1,238**	1,227
Net expense recognised in the consolidated income statement (see below)	**(4,347)**	(830)
Remeasurement (losses) / gains recognised directly in equity	**(16,214)**	2,308
Net liability for defined benefit obligations at the end of the year	**(49,121)**	(29,798)

Movements in the present value of defined benefit obligations -

	2019 £000	2018 £000
Defined benefit obligation at the start of the year	**199,883**	209,448
Interest expense	**5,243**	5,285
Actuarial losses due to scheme experience	**3,726**	334
Actuarial losses due to changes in demographic assumptions	**8,537**	-
Actuarial losses / (gains) due to changes in financial assumptions	**5,900**	(2,756)
Benefits paid	**(11,457)**	(12,428)
Past service costs (see note 7)	**3,559**	-
Defined benefit obligation at the end of the year	**215,391**	199,883

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

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

The Trustees commissioned scheme-specific calculations to determine the likely impact of the ruling on the Scheme. The initial analysis suggests that an allowance of 1.68% of the total value of the accrued liabilities would be appropriate and that allowance has been made in these disclosures with a resulting past service cost of £3.559 million recognised in the income statement.

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

	2019 £000	2018 £000
Active	**-**	-
Deferred	**43**	35
Pensioners	**57**	65
	100	100

Movements in the fair value of Scheme assets -

	2019 £000	2018 £000
Fair value of Scheme assets at the start of the year	**170,085**	176,945
Interest income	**4,455**	4,455
Return on Scheme assets excluding interest income	**1,949**	(114)
Contributions by employer	**1,238**	1,227
Benefits paid	**(11,457)**	(12,428)
Fair value of Scheme assets at the end of the year	**166,270**	170,085
Actual return on Scheme assets	**6,404**	4,341

22 Retirement benefit obligations (continued)

The fair value of Scheme asset investments was as follows -

	2019 £000	2018 £000
Diversified Growth Funds	**126,396**	130,537
Bonds and Liability Driven Investments	**38,893**	39,033
Cash	**981**	515
	166,270	170,085

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 Scheme's assets is invested in the BMO LDI Nominal Dynamic LDI Fund, BMO LDI Equity-linked Real DLDI Sub-Fund Weekly and BMO LDI Equity-linked Nominal LDI Sub-Fund which provide a degree of asset liability matching.

The expense recognised in the consolidated income statement was as follows -

	2019 £000	2018 £000
Past service cost	**3,559**	-
Net interest on the net defined benefit liability	**788**	830
	4,347	830

The expense is recognised in the following line items in the consolidated income statement -

	2019 £000	2018 £000
Charged to exceptional items	**3,559**	-
Other finance revenue and expense - net interest on the net defined benefit liability	**788**	830
	4,347	830

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

	2019	2018
Discount rate at 31 March	**2.40%**	2.70%
Future salary increases	**N/A**	N/A
Inflation (RPI)	**3.30%**	3.45%
Inflation (CPI)	**2.20%**	2.35%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.20%**	3.35%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.20%**	2.35%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.30%**	3.45%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.00%**	4.15%

The mortality assumptions adopted at 31 March 2019 are 137% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2018 converging to 1.00% p.a. These imply the following life expectancies -

	2019	2018
Life expectancy for a male (current pensioner) aged 65	**19.3 years**	18.3 years
Life expectancy at 65 for a male aged 45	**20.3 years**	19.5 years

22 Retirement benefit obligations (continued)

It is assumed that 75% of the post A-Day maximum for actives and deferreds will be commuted for cash (2018 - 100%).

The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates, mortality rates and commutation. Due to the relative size of the Scheme's liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the Group balance sheet.

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

	2019 %	**2019 £000**	2018 %	2018 £000
Discount rate [1]				
Decrease of 0.25% per annum	**3.60%**	**7,754**	3.50%	6,996
Decrease of 1.0% per annum	**15.7%**	**33,816**	14.6%	29,183
Inflation [2]				
Increase of 0.25% per annum	**2.00%**	**4,308**	1.90%	3,798
Increase of 1.0% per annum	**7.60%**	**16,370**	8.00%	15,991
Life expectancy				
Increase of 1 year	**3.80%**	**8,185**	3.60%	7,196

[1] At 31 March 2019, the assumed discount rate is **2.40%** (2018: 2.70%).
[2] At 31 March 2019, the assumed rate of RPI inflation is **3.30%** and CPI inflation **2.20%** (2018: RPI 3.45% and CPI 2.35%).

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 2019 is 14 years (2018: 14 years).

The life expectancy assumption has been applied by allowing for an increase/decrease in life expectation from age 60 of one year, based upon the approximate weighted average age for the Scheme. Whilst this is an approximate approach and will not give the same result as a one year increase in life expectancy at every age, it provides an appropriate indication of the potential impact on the Scheme from changes in life expectancy.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

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

	2019 £000	2018 £000
Present value of funded obligation	**(215,391)**	(199,883)
Fair value of scheme asset investments	**166,270**	170,085
Recognised liability for defined benefit obligations	**(49,121)**	(29,798)
Actual return on scheme assets	**6,404**	4,341
Actuarial (losses) due to scheme experience	**(3,726)**	(334)
Actuarial (losses) due to changes in demographic assumptions	**(8,537)**	-
Actuarial (losses)/gains due to changes in financial assumptions	**(5,900)**	2,756

23 Provisions

	2019		2018		
	Site closure £000	**Total £000**	CIT expected costs £000s	Site closure £000	Total £000
Provisions at the start of the year	**484**	**484**	8	685	693
Provision established in the period	**-**	**-**	-	-	-
Provisions used in the period	**(151)**	**(151)**	(8)	(201)	(209)
Provisions at the end of the year	**333**	**333**	-	484	484
Non-current	**-**	**-**	-	323	323
Current	**333**	**333**	-	161	161
	333	**333**	-	484	484

Of the £0.484 million provision brought forward, in respect of exit costs for a site leased by a legacy Group business, £0.151 million was used in the period.

24 Trade and other payables - falling due within one year

	2019 £000	2018 £000
Trade payables	**17,970**	17,274
Other taxes and social security costs	**2,967**	2,818
Other creditors	**2,362**	4,867
Accruals	**8,145**	3,354
	31,444	28,313

25 Trade and other payables - falling due in more than one year

	2019 £000	2018 £000
Other creditors	**132**	208
	132	208

26 Ordinary Share Capital

Ordinary shares of 5 pence each -

	Number of shares	£000
Issued and fully paid at 31 March 2018	73,286,918	3,664
Shares issued on exercise of share options	132,275	7
Issued and fully paid at 31 March 2019	**73,419,193**	**3,671**

There are no outstanding share options at 31 March 2019.

Outstanding awards under the performance share plan are as follows -

	Date granted	Number of shares	Price	Earliest date of vesting
Performance share plan	13 July 2016	377,000	nil	13 July 2019
	14 July 2017	342,333	nil	14 July 2020
	31 July 2018	**670,000**	**nil**	**31 July 2021**

The share options have been awarded to the executive directors and senior managers within the Group.

The vesting conditions for all share option schemes are three years of service plus the satisfaction of specified performance criteria.

Under the provisions of IFRS 2 a charge is recognised for those share options and awards under the performance share plan issued after 7 November 2002. The estimate of the fair value of the services received is measured based on the Black-Scholes model for share options granted under the executive and discretionary share option schemes. The Monte-Carlo model is used to calculate the fair value of the performance share plan awards. The contractual life of the share options (ten years) is used as an input into this model. Expectations of early exercise are incorporated into the model.

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

	2019 31 July 2018 Award	2018 14 July 2017 Award
Performance share plan		
Fair value at grant date	**85p**	114p
Share price at grant date	**107p**	159p
Exercise price	**0.0p**	0.0p
Expected volatility	**48.10%**	48.63%
Expected dividend yield	**0.20%**	0.20%

26 Ordinary Share Capital (continued)

The performance share plan award issued on 31 July 2018 has a split performance condition whereby half of the awards would vest after three years based on performance compared to TSR and the remaining half would vest based on EPS performance. Half of the awards will vest on a sliding scale from 25% if EPS growth exceeds RPI by 5% per annum or more over the three year period beginning with the year of grant, rising to 100% if EPS growth exceeds RPI by 12% per annum. The other half of the awards will vest on a sliding scale from 25% if TSR exceeds the median performance of the constituents of the FTSE Small Cap Index over the three year period ending on 31 March 2020 rising to 100% for upper quartile performance.

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

The amounts recognised in the income statement arising from equity settled share based payments was a charge of £0.036 million (2018 - credit of £0.040 million).

The number and weighted average exercise prices of share options and performance share plan awards is as follows -

	2019		2018	
	Weighted average exercise price pence	**Number of shares**	Weighted average exercise price pence	Number of shares
Outstanding at 1 April	**0.1**	**1,400,000**	0.1	1,511,000
Lapsed during the period	**-**	**(610,392)**	-	(304,750)
Exercised during the period	**-**	**(132,275)**	-	(279,250)
Granted during the period	**-**	**732,000**	-	473,000
Outstanding at the end of the period	**-**	**1,389,333**	0.1	1,400,000
Exercisable at 31 March		**-**		2,000
Weighted average remaining life at 31 March		**0 months**		14 months

The weighted average share price at the date of exercise for the share options exercised in the year to 31 March 2019 was 118.00 pence (2018 - 168.00 pence).

27 Reserves

Translation reserves

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Retained earnings

Netted against retained earnings is the cost of own shares held by the Group. The Company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the Group's share option schemes. As at 31 March 2019 the plan held 3,077 shares (2018 - 3,077 shares).

28 Financial instruments

The Group's financial instruments comprise bank loans and overdrafts, cash and short term deposits. These financial instruments are used for the purpose of funding the Group's operations. In addition the Group has other financial instruments such as trade receivables and trade payables which arise directly from its operational activities.

The Group is exposed to a range of financial risks as part of its day to day activities. These include credit risk, interest rate risk, liquidity risk and foreign currency risk.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or financial institution fails to meet its contractual obligations. The Group's credit risk is mainly attributable to its trade receivables which the Group mitigates by way of credit insurance. Credit insurance is sought for all customers where exposure is in excess of £10,000. In certain instances credit insurance cannot always be obtained or cover has been withdrawn. In such instances payment terms are re-negotiated and internal credit limits established. The amounts shown in the balance sheet are after making due provision for any doubtful debts.

The Group maintains any surplus cash balances on deposit accounts or legal offset accounts with the Group's principal bank which has a high credit rating assigned by independent international credit rating agencies. In addition, the Group has undrawn net overdraft facilities of £5.689 million at 31 March 2019 (2018 - £9.006 million) which are available to mitigate any liquidity risk.

28 Financial instruments continued

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

	2019 £000	2018 £000
Quoted investments (see note 14)	**7**	7
Trade receivables, net of attributable impairment provisions (see note 17)	**23,046**	19,693
Cash and cash deposits (see note 18)	**10,330**	12,962
Contract assets (see note 4)	**20,264**	-
	53,647	32,662

Carclo is a worldwide supplier of components and systems. As a consequence, the Group's trade receivables and contract assets reside across a broad spectrum of countries with potentially higher attributable credit risk in certain territories. The following tables analyse the geographical location of trade receivables (net of attributable impairment provisions) and of contract assets:

	2019 £000	2018 £000
United Kingdom	**5,927**	5,222
Rest of Europe	**6,059**	5,332
North America	**6,587**	5,777
Rest of world	**4,473**	3,362
Trade receivables, net of attributable impairment provisions	**23,046**	19,693
United Kingdom	**19,483**	-
Rest of Europe	**788**	-
North America	**(7)**	-
Contract assets, net of attributable impairment provisions	**20,264**	-

b) Interest rate risk

The Group's borrowings are on floating rate terms. In the year to 31 March 2019, interest rates have remained low. This has kept the interest charge borne by the Group at a level comparable with the prior year.

The interest rate profile of financial liabilities by currency of the Group as at 31 March was as follows -

	Floating rate interest payable £000
As at 31 March 2019	
Sterling	**34,594**
US dollar	**7,782**
Euro	**6,435**
Other	**-**
	48,811
As at 31 March 2018	
Sterling	30,207
US dollar	7,625
Euro	6,606
Other	-
	44,438

28 Financial instruments continued

b) Interest rate risk continued

The interest rate profile of financial assets by currency of the Group as at 31 March was as follows -

	Floating rate interest receivable £000	**No interest receivable £000**	**Total £000**
As at 31 March 2019			
Sterling	**684**	**13**	**697**
US dollar	**5,227**	**3**	**5,230**
Euro	**2,088**	**2**	**2,090**
Other	**2,284**	**29**	**2,313**
	10,283	**47**	**10,330**

	Floating rate interest receivable £000	No interest receivable £000	Total £000
As at 31 March 2018			
Sterling	772	11	783
US Dollar	5,490	1	5,491
Euro	4,851	2	4,853
Other	1,810	25	1,835
	12,923	39	12,962

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

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by maintaining a mixture of committed long term loan facilities and short term overdraft facilities which have been established to ensure that adequate funding is available for its operating, investing and financing activities.

As detailed in note 20, at 31 March 2019 the Group has committed term loan facilities of £30.000 million (2018 - £30.000 million) and additional overdraft facilities totalling £18.009 million (2018 - £15.987 million) which are repayable on demand. The Group's net debt at 31 March 2019 was £38.481 million (2018 - £31.476 million).The net debt comprises £48.811 million interest bearing loans and borrowings (see note 20) less £10.330 million cash and cash deposits (see note 18).

The Group's committed term loan facilities are available in the UK; overdraft facilities in the UK totalled £17.000 million at 31 March 2019 and have been reduced to £15.000 million subsequent to the year end following the receipt of an initial Euros 8.7 million of customer payments in respect of LED Technologies contract assets.

The Group performs a detailed, weekly, rolling 13 week cash flow forecast to help manage its short term liquidity risk. Additionally the Board monitors a monthly 12 month Group cash flow forecast comparing it to internal targets and thresholds established with the Group's bankers.

d) Foreign currency risk

The Group has a number of overseas subsidiary operations. The major overseas subsidiaries are located in the United States, France, the Czech Republic, China and India. Hence the balance sheet of the Group can be affected by the applicable conversion rates, the sterling / US dollar exchange rate in particular. It is the Group's policy to hedge the effect of such structural currency exposures by having borrowings in the appropriate currencies where it is considered efficient to do so. A loan of US $10.600 million is designated as the hedging instrument against foreign currency exposures in the net investment in the trading subsidiaries in the United States. A loan of 7.500 million is designated as the hedging instrument against foreign currency exposures in the net investment in the European operations.

In addition the Group is subject to transactional foriegn currency exposures arising from the sale and purchase of goods and services in currency other than the company's local currency. Historically it has been the Group's policy to hedge such exposure where the net exposure in any one currency exceeds £20,000 on any day using forward contracts. However, within the UK operations opportunities have been exploited to naturally hedge inflows in currency with similar outflows. It is the Group's policy not to undertake any speculative transactions.
naturally hedge inflows in currency with similar outflows. It is the Group's policy not to undertake any speculative transactions.

28 Financial instruments continued

d) Foreign currency risk continued

The fair value of the forward contracts at the start and end of the financial year was immaterial. The cash flows associated with the forward contracts are summarised as follows:

	2019		2018	
	Less than 6 months £000	**6 - 12 months £000**	Less than 6 months £000	6 - 12 months £000
Assets	**2,601**	**-**	1,143	-
Liabilities	**-**	**-**	-	-
	2,601	**-**	1,143	-

The balance sheet exposure to currency at the year end arising from trading activities is illustrated in the following analysis by currency of the Group's trade receivables and trade payables:

	Sterling £000	**US dollar £000**	**Euro £000**	**Other £000**	**Total £000**
As at 31 March 2019					
Trade receivables, net of attributable impairment provisions	**8,070**	**6,796**	**4,262**	**3,918**	**23,046**
Trade payables	**(5,593)**	**(4,806)**	**(6,454)**	**(1,117)**	**(17,970)**
Net	**2,477**	**1,990**	**(2,192)**	**2,801**	**5,076**
As at 31 March 2018					
Trade receivables, net of attributable impairment provisions	7,667	6,478	3,143	2,405	19,693
Trade payables	(5,088)	(6,694)	(5,072)	(420)	(17,274)
Net	2,579	(216)	(1,929)	1,985	2,419

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

	Average rate		Reporting date mid-market rate	
	2019	2018	**2019**	2018
Sterling / US dollar	**1.31**	1.33	**1.30**	1.40
Sterling / Euro	**1.13**	1.13	**1.16**	1.14
Sterling / Czech koruna	**29.2**	29.4	**30.0**	28.8
Sterling / Chinese Renminbi	**8.81**	8.78	**8.76**	8.80
Sterling / Indian rupee	**91.7**	85.5	**90.6**	91.0

Fair values

The fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between third parties. Where available, market values are used to determine fair values, otherwise fair values are calculated by discounting expected cash flows at prevailing interest and exchange rates. The fair value of the derivatives and financial instruments was not materially different to the book value at 31 March 2019 and 31 March 2018. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2019 were insignificant.

During the year ended 31 March 2017 contingent consideration in respect of the acquisition of PTD was recognised at fair value and is categorised as Level 3 in the fair value hierarchy. The expected payment reflects the calculated cash out flows under possible earn out scenarios and is discounted using a risk-adjusted discount rate. The significant unobservable inputs inherent are the expected cash payment of USD nil and the discount rate of 10.04%.

The actual cash payment may be either nil or within the range USD 0.800 million to USD 1.000 million depending on the satisfaction of certain performance criteria.

28 Financial instruments continued

d) Foreign currency risk continued

The table below shows the effect on fair value of changing the significant inputs used in the fair value measurement to another reasonably possible assumption.

	Profit or loss	
	Favourable	**Unfavourable**
	£000	**£000**
Expected cash payment of USD 0.800 million	-	739
Expected cash payment of USD 1.000 million	-	923

The table below analyses and reconciles financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

Hedges of net investments in foreign operations

The Group has net investments in foreign operations in its subsidiaries in North America, France, the Czech Republic, China and India, as detailed in Note 3 Segment reporting - Analysis by geographical segment.

A foreign currency exposure arises from the Group's net investments in subsidiaries with foreign currencies i.e. functional currencies other than sterling. The risk arises from the fluctuations in spot exchange rates between these foreign currencies and sterling (in particular the sterling / US dollar exchange rate), which causes the amount of the Group's net investment to vary when translated into sterling.

Part of the Group's net investments in these overseas subsidiaries are hedged by foreign currency denominated secured bank loans, as detailed in Note 20 Interest bearing loans and borrowings. This mitigates the foreign currency risks arising from the subsidiary's net assets. The loan is designated as a hedging instrument for the changes in the value of the net investments that are attributable to changes in the spot exchange rates.

A summary of the Group's hedges of net investments in foreign operations is as follows:

	2019			2018		
	Loans and	**Carrying amount**		Loans and	Carrying amount	
	borrowing	**Assets**	**Liabilities**	borrowing	Assets	Liabilities
	£000	**£000**	**%**	£000	£000	%
US Dollar	**8,139**	**42,586**	**(12,472)**	8,450	42,933	(12,364)
Euro	**6,477**	**3,143**	**(771)**	6,413	3,240	(665)
Other	**-**	**33,472**	**(8,914)**	-	40,702	(11,095)

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

During the year a loss of £0 million was recognised on these hedging instruments within other comprehensive income.

During the year there has been no hedge ineffectiveness recognised in profit or loss.

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. In the year ended 31 March 2019, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £0.626 million (2018 – £0.554 million decrease). It is estimated that a general increase of 10% in the value of sterling against the above noted main currencies would have decreased the Group's profit before tax by approximately £1.498 million for the year ended 31 March 2019 (2018 – £1.203 million decrease) which is detailed by currency in the following table:

28 Financial instruments continued

d) Foreign currency risk continued

	2019 £000	2018 £000
US Dollar	**680**	648
Euro	**426**	314
Czech koruna	**148**	98
Other	**244**	143
	1,498	1,203

Capital risk management

The capital structure of the Group consists of net debt (comprising borrowings as detailed in note 20 offset by cash and bank balances) and equity of the Group (comprising issued share capital, reserves and retained earnings as detailed in the statement of changes in equity).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an appropriate capital structure. In order to maintain or adjust the capital structure, the Group will take into account the amount of dividends paid to shareholders, the level of debt and the number of shares in issue. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest charges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board.

29 Cash generated from operations

	2019 £000	2018 £000
(Loss) / Profit for the year	**(18,632)**	8,492
Adjustments for -		
Pension fund contributions	**(1,238)**	(1,227)
Depreciation charge	**5,260**	4,732
Amortisation of intangible assets	**279**	281
Exceptional tangible fixed asset write down, arising on rationalisation of business	**7,115**	-
Exceptional impairment of intangible assets, arising on rationalisation of business	**1,365**	66
Loss on disposal of other plant and equipment	**7**	22
Exceptional charge in respect of retirement benefits	**3,559**	-
Cash flow relating to provision for site closure costs	**(151)**	(209)
Share based payment charge / (credit)	**36**	(40)
Financial income	**(58)**	(99)
Financial expense	**2,119**	1,839
Taxation	**3,978**	(325)
Operating cash flow before changes in working capital	**3,639**	13,532
Changes in working capital		
Decrease / (Increase) in inventories	**456**	(1,218)
(Increase) in contract assets	**(20,264)**	-
Decrease / (Increase) in trade and other receivables	**14,799**	(8,842)
Increase in trade and other payables	**2,975**	2,785
Increase in contract liabilities	**2,540**	-
Cash generated from operations	**4,145**	6,257

30 Financial commitments

	2019 £000	2018 £000
(a) The directors have authorised the following future capital expenditure which is contracted -	**77**	411

(b) The commitment under non cancellable operating leases was as follows -

	2019 £000	2018 £000
within one year	**2,340**	2,017
within two to five years	**6,025**	6,275
more than five years	**1,272**	1,732
	9,637	10,024

31 Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 32), its Directors and executive officers and the Group pension scheme. There are no transactions that are required to be disclosed in relation to the Group's 60% subsidiary Platform Diagnostics Limited.

Transactions with key management personnel

Key management personnel are considered to be the executive directors of the Group.

Details of directors' remuneration can be found in the remuneration report on pages 41 to 56.

Group pension scheme

During the year Carclo engaged a third party professional firm to administer the Group pension scheme (The Carclo Group Pension Scheme). The associated investment managers' costs are met by the Scheme in full. From 1 April 2007, it has been agreed with the Trustees of the Scheme that, under the terms of the recovery plan, Carclo would bear the Scheme's administration costs whilst the Scheme was in deficit, as calculated at the triennial valuation. Carclo incurred administration costs of £0.496 million which has been charged to the Consolidated income statement (2018 - £0.713 million).

After the year end an agreement was reached with the Trustees as to pension contributions for the period to January 2021 that contributions of £225,000 per month would incorporate both deficit recovery contributions, scheme expenses and PPF levy.

32 Group entities

Control of the group

The Group's ultimate parent company is Carclo plc which is incorporated in England.

The ordinary share capital of the subsidiary undertakings are owned by the Company except where indicated.

Investments in subsidiaries

The Group and Company have the following investments in subsidiaries -

	Registered office address	Principal place of business	Class of shares held	2019 %	2018 %
Company					
Acre Mills (UK) Limited	*	UK	Ordinary	**100**	100
Arthur Lee & Sons (Hot Rolling Mills) Limited	*	UK	Ordinary	**100**	100
Australian Card Clothing Limited	*	UK	Ordinary	**100**	100
Bruntons Aero Products Limited	*	UK	Ordinary	**100**	100
Bruntons (Musselburgh) Limited	**	UK	Ordinary	**100**	100
Brymill Stockholders Limited	*	UK	Ordinary	**100**	100
Carclo Diagnostic Solutions Limited	*	UK	Ordinary	**100**	100
Carclo Group Services Limited	*	UK	Ordinary	**100**	100
Carclo Holding Corporation	190 Elgin Avenue, Grand Cayman, KY1-9005	Cayman Islands	Ordinary	**100**	100
Carclo Holding Limited	*	UK	Ordinary	**100**	100
Carclo Investments Limited	*	UK	Ordinary	**100**	100

* Registered office address is: PO Box 88, 27 Dewsbury Road, Ossett, West Yorkshire, WF5 9WS

** Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk, Industrial Estate, Musselburgh, East Lothian, EH21 7PA

31 Group entities continued

Group

Carclo Overseas Holdings Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics Private Co. Limited	27A (2) KIADB Industrial Area, Doddabalapur, Bangalore - 561203, Karnataka	India	Ordinary	**100**	100
Carclo Technical Plastics (Mitcham) Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics (Slough) Limited	*	UK	Ordinary	**100**	100
Carclo Zephyr Limited	*	UK	Ordinary	**100**	100
CIT Technology Limited	*	UK	Ordinary	**100**	100
Critchley, Sharp & Tetlow Limited	*	UK	Ordinary	**100**	100
Crowther & Gee Limited	*	UK	Ordinary	**100**	100
CTP Davall Limited	**	UK	Ordinary	**100**	100
CTP Lichfield Limited	*	UK	Ordinary	**100**	100
CTP Silleck Limited	*	UK	Ordinary	**100**	100
CTP Silleck Scotland Limited	**	UK	Ordinary	**100**	100
CTP White Knight Limited	*	UK	Ordinary	**100**	100
Dell Baler Limited	*	UK	Ordinary	**100**	100
Edwin Stead & Sons Limited	*	UK	Ordinary	**100**	100
Fairbank Brearley Limited	*	UK	Ordinary	**100**	100
Finespark (Horsham) Limited	*	UK	Ordinary	**100**	100
Highfield Mills Limited	*	UK	Ordinary	**100**	100
Hills Diecasting Company Limited	*	UK	Ordinary	**100**	100
Hills Non Ferrous Limited	*	UK	Ordinary	**100**	100
Horsfall & Bickham Limited	*	UK	Ordinary	**100**	100
Horsfall Card Clothing Limited	*	UK	Ordinary	**100**	100
Ironfoil Limited	*	UK	Ordinary	**100**	100
John Sharp (Wire) Limited	*	UK	Ordinary	**100**	100
J.W.& H. Platt Limited	*	UK	Ordinary	**100**	100
Lee Of Sheffield Limited	*	UK	Ordinary	**100**	100
Lee Stainless Steel Services Limited	*	UK	Ordinary	**100**	100
Leeplas Limited	*	UK	Ordinary	**100**	100
Metallic Card Clothing Company Limited (The)	*	UK	Ordinary	**100**	100
Norseman (Cables & Extrusions) Limited	*	UK	Ordinary	**100**	100
Novoplex Limited	*	UK	Ordinary	**100**	100
Pratt, Levick And Company Limited	*	UK	Ordinary	**100**	100
Rumbold Securities Limited	*	UK	Ordinary	**100**	100
Seymour Plastics Limited	*	UK	Ordinary	**100**	100
Sheffield Wire Rope Company Limited (The)	*	UK	Ordinary	**100**	100
Shepley Investments Limited	*	UK	Ordinary	**100**	100
Smith Wires Limited	*	UK	Ordinary	**100**	100
Station Road (UK) Limited	*	UK	Ordinary	**100**	100
Texture Rolled Limited	*	UK	Ordinary	**100**	100
Thomas White & Sons Limited	**	UK	Ordinary	**100**	100
Trubrite Limited	*	UK	Ordinary	**100**	100
Tru-Grit Limited	*	UK	Ordinary	**100**	100
Wipac Limited	London Road, Buckingham, MK18 1BH	UK	Ordinary	**100**	100
Woodcock & Booth Limited	*	UK	Ordinary	**100**	100
Woodhead Limited	*	UK	Ordinary	**100**	100
Yorkshire Engineering Supplies Limited	*	UK	Ordinary	**100**	100
AA Electronics Design Singapore PTE Limited	One Raffles Place, #10-62, Tower 2	Singapore	Ordinary	**100**	100
Apollo Steels Limited	*	UK	Ordinary	**100**	100
Carclo France SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Ordinary	**100**	100
Carclo Platt Nederland BV	Prof. dr. dorgelolaan 12, 5613 AM, Eindhoven	Netherlands	Ordinary	**100**	100
Carclo Securities Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics (Brno) s.r.o	Turanka 98, 627000, Brno	Czech Republic	Ordinary	**100**	100
Carclo US Finance No. 2	*	UK	Ordinary	**100**	100
Carclo US Holdings Inc	600 Depot St. Latrobe, PA. 15650	USA	Ordinary	**100**	100
Chapmans Springs Limited	*	UK	Ordinary	**100**	100
CTP Alan Limited	*	UK	Ordinary	**100**	100
CTP Carrera Inc	600 Depot St. Latrobe, PA. 15650	USA	Ordinary	**100**	100

* Registered office address is: PO Box 88, 27 Dewsbury Road, Ossett, West Yorkshire, WF5 9WS
** Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk, Industrial Estate, Musselburgh, East Lothian, EH21 7PA

CTP Moulded Gears Limited	*	UK	Ordinary	**100**	100
CTP Precision Tooling Limited	*	UK	Ordinary	**100**	100
CTP Taicang Co., Ltd	No. 8 Xixin Road, Chengxiang Town, Taicang City, Jiangsu Province 215411	China	Ordinary	**100**	100
Datacall Limited	*	UK	Ordinary	**100**	100
D.B.T. (Motor Factors) Limited	*	UK	Ordinary	**100**	100
Douglas Campbell Limited	**	UK	Ordinary	**100**	100
European Card Clothing Company Limited	*	UK	Ordinary	**100**	100
Electro-Medical Limited	*	UK	A1 ordinary & ordinary	**100**	100
Finemoulds Limited	*	UK	Ordinary	**100**	100
Finespark (Singapore) PTE Limited	One Raffles Place, #10-62, Tower 2	Singapore	Ordinary	**100**	100
Gilby-Brunton Limited	**	UK	Ordinary	**100**	100
Industates Limited	*	UK	Ordinary	**100**	100
Jacottet Industrie SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Ordinary	**100**	100
John Shaw Lifting & Testing Services Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead (Manchester) Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead (Ossett) Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead (Sheffield) Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead & Sons Limited	*	UK	Ordinary	**100**	100
K.A.S. Precision Engineering Limited	*	UK	Ordinary	**100**	100
Platform Diagnostics Limited	*	UK	A1 ordinary	**60**	60
Rumbold Investments Limited	*	UK	Ordinary	**100**	100
Shepley Securities Limited	*	UK	Ordinary	**100**	100
Sima Plastics Limited	*	UK	Ordinary	**100**	100
Squires Steel Stockholders Limited	*	UK	Ordinary	**100**	100
Sybro Limited	*	UK	Ordinary	**100**	100
Toledo Woodhead Springs Limited	*	UK	Ordinary	**100**	100
Tolwood Engineering Limited	*	UK	Ordinary	**100**	100
Wipac Czech s.r.o.	Hrusovska 3203/13a, 702 00 Moravská Ostrava	Czech Republic	Ordinary	**100**	100
Woodhead Components Limited	*	UK	Ordinary	**100**	100
Woodhead Construction Services Limited	*	UK	Ordinary	**100**	100
Woodhead Steel Limited	*	UK	Ordinary	**100**	100

* Registered office address is: PO Box 88, 27 Dewsbury Road, Ossett, West Yorkshire, WF5 9WS

** Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk, Industrial Estate, Musselburgh, East Lothian, EH21 7PA

33 Post balance sheet event

Following the year end, the £30m revolving credit facility with HSBC, which was due to expire on 27 March 2020 has been extended to 31 January 2021. The overdraft facility of £17m has been reduced to £10m.

In addition, an agreement was reached with the Pension Trustees regarding contributions to the pension scheme over the same period, that contributions of £225,000 per month would be made, including scheme expenses and PPF levy.

Following continued operational losses at Wipac, the main operating business in the Group's LED Technologies Division, the decision was taken in June 2019 to exit from the new mid-volume contracts and a turnaround plan involving customer support and operational self-help was implemented. Currently the business is reliant on significant support from customers. Separately, the Group began actively marketing the business, and the Wipac business was classified as held for sale subsequent to the balance sheet date. Wipac is the main business in the LED Technologies Division. A number of approaches have been received from parties interested in the potential acquisition of Wipac which the Board is actively pursuing. Discussions remain ongoing. In the event no disposal occurs, the Board will need to reassess the options for the business.

COMPANY BALANCE SHEET AS AT 31 MARCH

	Notes		2019		2018
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*35*	**295**		374	
Investments in subsidiary undertakings	*36*	**93,795**		100,854	
			94,090		101,228
Current assets					
Debtors - amounts falling due within one year	*37*	**72,451**		90,936	
Debtors - amounts falling due after more than one year	*37*	**4,602**		4,214	
Cash at bank and in hand		**2,852**		1,813	
		79,905		96,963	
Creditors - amounts falling due within one year					
Trade and other creditors	*38*	**146,864**		109,432	
		146,864		109,432	
Net current liabilities			**(66,959)**		(12,469)
Total assets less current liabilities			**27,131**		88,759
Creditors - amounts falling due after more than one year	*39*		**-**		(29,253)
Net assets excluding pension liability			**27,131**		59,506
Pension liability	*41*		**(49,121)**		(29,798)
Total net assets			**(21,990)**		29,708
Capital and reserves					
Called up share capital	*26*		**3,671**		3,664
Share premium account			**7,359**		7,359
Profit and loss account			**(33,020)**		18,685
Shareholders' funds			**(21,990)**		29,708

These accounts were approved by the board of directors on 31 October 2019 and were signed on its behalf by -

Mark Rollins

} directors

Peter Slabbert

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	3,650	7,359	22,370	33,379
Loss for the year	-	-	(5,035)	(5,035)
Other comprehensive (expense) / income -				
Remeasurement gains on defined benefit scheme	-	-	2,150	2,150
Taxation on items above	-	-	(392)	(392)
Total comprehensive (expense) / income for the period	-	-	(3,277)	(3,277)
Transactions with owners recorded directly in equity -				
Share based payments	-	-	(40)	(40)
Exercise of share options	14	-	(262)	(248)
Taxation on items recorded directly in equity	-	-	(106)	(106)
Balance at 31 March 2018	3,664	7,359	18,685	29,708
Balance at 1 April 2018	**3,664**	**7,359**	**18,685**	**29,708**
Loss for the year	-	-	(29,873)	(29,873)
Other comprehensive expense				
Remeasurement losses on defined benefit scheme	-	-	(16,293)	(16,293)
Taxation on items above	-	-	(5,260)	(5,260)
Total comprehensive expense for the year	-	-	(51,426)	(51,426)
Transactions with owners recorded directly in equity -				
Share based payments	-	-	36	36
Exercise of share options	7	-	(97)	(90)
Taxation on items recorded directly in equity	-	-	(218)	(218)
Balance at 31 March 2019	**3,671**	**7,359**	**(33,020)**	**(21,990)**

34 Basis of preparation for the company

Going Concern

The financial statements are prepared on the going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 14 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 16 to 18. The directors' assessment of the viability of the Group is set out in the Viability Statement on page 22. In addition note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Net debt at 31 March 2019, excluding operating leases, was £38.5m, increasing from £31.5m at 31 March 2018. The increase was driven by capital investment and the profile of cash receipts from customers for ongoing design, development and tooling programmes and by the significant increase in production volumes in the LED Technologies division which absorbed working capital.

After the year end, net debt levels improved following the decision to exit three mid-volume programmes at Wipac as monies were received from customers in respect of the work done on the design, development and tooling for these programmes. By the end of August 2019, net debt, excluding operating leases, had fallen to £26.2m.

The Directors have prepared base and sensitised cash flow forecasts for a period in excess of eighteen months from the date of their approval of these financial statements. The Directors have also considered the debt facilities available to the Group which are disclosed in note 20 to the financial statements and comprise an overdraft of £15m and a £30m revolving credit facility maturing in January 2021, a period of fifteen

34 Basis of preparation for the company (continued)

months from the date of this report. The revolving credit facility, which at October 2019 is fully drawn, was due to mature in March 2020 but the term has been extended to January 2021. The overdraft facility was reduced to £10m at the end of September 2019, with headroom forecast to be at sufficient levels after this reduction in facility.

The net debt to underlying EBITDA banking covenant test at 31 March 2019 was deferred by the bank in advance of the year end. Had the covenant been tested net debt would have been 2.74 times proforma unaudited adjusted EBITDA against a covenant of 2.75 times. Under the base case, the Group's financing is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period.

The Board has considered two scenarios: a disposal of Wipac and retention of the business whilst the current level of significant customer support remains.

There are a number of uncertainties in relation to a disposal in relation to disposal proceeds and timing. In the event a disposal is not achieved the Board will pursue alternative options to protect the Group from the ongoing underlying losses of Wipac.

Whilst the business is retained, there are a number of assumptions that have been made in the forecast including:

Wipac customer support

Continued operation of Wipac depends on significant support from customers in the form of price surcharges and contributions towards tooling improvements and other operational improvement programmes. It also involves customers bearing their own emergency freight charges. All customers have signed up to this plan, although this is subject to review on a weekly basis and should any support be withdrawn, or should any customers choose to take production contracts elsewhere, this will have a material impact on Wipac's ability to continue in operation.

No contingent liabilities, including warranty claims, giving rise to a material cash outflow

No significant claims for exiting from the mid-volume programmes or in relation to the operational issues have been received. In addition, remaining customers have agreed not to charge any penalties or admin fees for missed or short deliveries. However, were this situation to change in the future, a contingent liability or claim could arise giving rise to a material cash outflow that could not be met in the normal course of business.

Continued bank support

The base case forecasts and bank covenants have been prepared on the basis that Wipac is disposed of. Should Wipac not be disposed of by the end of October, the bank facility agreement states that the covenants will need to be renegotiated by the end of November. Our base case cash flow forecasts assume a receipt of cash from the disposal process by March 2020. If this were not the case, and in the absence of significant cash from any alternative options, it is likely that the 31 March 2020 covenant would be breached and would need to be renegotiated.

Other assumptions in relation to the remainder of the Group include:

Suppliers continuing to offer normal commercial credit terms

Certain credit insurers have removed cover on the Group. To date this has not had a material impact on the cash flows. The cash forecast assumes that suppliers continue to offer normal commercial credit terms. Any move to acceleration of supplier payments could impact on cash requirements.

Customers paying invoices to terms

Any significant delay in receiving payment could impact on headroom.

Ongoing trading performance

The Technical Plastics Division has won a number of new sales programmes which are due to start in the current financial year. Any delay in commencement or in the ramp up of forecast volumes or failure to deliver revenue and margin growth could reduce headroom, as could any material trading underperformance in the remaining businesses or loss of existing customers.

Capital investment projects completing on time and on budget

The Technical Plastics Division has won a number of new sales programmes which require capital investment. If this investment is not completed on time and on budget, there could be further cash requirements

Lenders continuing to offer the facilities described above

£30m of the bank funding relates to a committed facility in place until 31 January 2021. The remainder is an overdraft that is repayable on demand that has been reduced to £10m in September 2019. The base case cash flow forecasts and hence the going concern assessment have been prepared on the basis that the bank continues to extend a sufficient overdraft facility for the period to January 2021.

Bank permission is required for the disposal of Wipac.

Wipac is a guarantor of the Group bank facility and following disposal, the Group is reliant on the support of the bank to waive these cross-guarantees. Whilst the bank has indicated its support, there is no guarantee that this waiver will be granted.

Financial sensitivity modelling was carried out which assessed the impact of the risks noted above both individually and in aggregate on both headroom and bank covenants.

The Board concluded that in the event of any of these individual risks occurring and having a material impact on the forecasts, the Group would require the support of its lenders by way of additional overdraft facility or covenant waiver / deferral.

Based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the successful disposal of the Wipac business in the near-term or, in the absence of this, to appropriate actions being taken to protect the Group from Wipac's underlying losses and subject to the ongoing support of the Group's lending bank, the Directors have a reasonable expectation that the Group, and the Company, has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

a) Accounting policies for the company

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 April 2014 have not been restated.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 47.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the company's accounting period beginning on or after 1 April 2018. 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 2018:

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements, however the overall impact on the financial statements is not material. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018).

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018.

Further details including the impact of this standard on the Consolidated Financial Statements can be found in note 4.

Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2018);

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018);

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2018); and

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date 1 January 2018).

These standards have not had a material impact on the Financial Statements unless indicated.

b) Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss and liabilities for cash-settled share-based payments.

c) Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

d) Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

e) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are between three and twelve years.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

f) Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

g) Employee benefits

Defined contribution plans -

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans -

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The liability in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains and losses. Actuarial gains and losses that arise are recognised in full with the movement recognised in the statement of total recognised gains and losses.

The Company is the principal sponsoring employer of a UK-group defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the principal sponsoring employer, which is the Company.

h) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

i) Financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement of fair values is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. At the year end no derivative financial instruments qualified for hedge accounting.

j) Share based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Further disclosure in relation to share-based payments is given in note 26 of the Group financial statements.

k) Dividends

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

35 Tangible fixed assets

	Plant and equipment £000
Cost	
Balance at 31 March 2018	**1,371**
Additions	**22**
Disposals	**-**
Balance at 31 March 2019	**1,393**
Depreciation and impairment losses	
Balance at 31 March 2018	**997**
Depreciation charge	**101**
Disposals	**-**
Balance at 31 March 2019	**1,098**
Carrying amounts	
At 31 March 2018	**374**
At 31 March 2019	**295**

36 Fixed asset investments

	Shares in group undertakings £000
Cost	
Balance at 31 March 2018 and at 31 March 2019	**151,872**
Provisions	
Balance at 31 March 2018	51,018
Impairment losses	7,059
Balance at 31 March 2019	**58,077**
Net book value	
At 31 March 2018	**100,854**
At 31 March 2019	**93,795**

During the year the Company provided £1.755 million against its investment in Wipac Limited in light of the operational issues experienced by this subsidiary.

A FVLCOD model was used to assess the recoverable amount of investment in Carclo Technical Plastics Limited. The key assumptions in this model were EBITDA, a market participent multiple and estimated costs of disposal. This determined an impairment of £5.304 million should be recorded. Any changes in these assumptions would result in a different outcome on the carrying value.

Both are wholly owned English subsidiaries. A list of subsidiary undertakings is given in note 32 to the Group financial statements.

37 Debtors

	2019 £000	2018 £000
Debtors - amounts falling due within one year -		
Amounts owed by group undertakings	**71,605**	84,944
Other debtors	**616**	377
Prepayments and accrued income	**230**	96
Taxation recoverable	**-**	-
Deferred tax assets (see note 40)	**-**	5,519
	72,451	90,936
Debtors - amounts falling due after more than one year -		
Amounts owed by group undertakings	**4,602**	4,214

During the year the company provided £13.468 million against expected losses for an amount owed by its investee Wipac Limited, a wholly owned English subsidiary.

38 Trade and other creditors - amounts falling due within one year

	2019 £000	2018 £000
Bank overdrafts	**10,410**	11,308
Trade creditors	**3**	2
Taxation and social security	**72**	84
Accruals and deferred income	**804**	633
Amounts owed to group undertakings	**105,682**	97,405
Bank loans	**29,893**	-
	146,864	109,432

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2019 the gross amount of overdrafts available was £18.0 million (2018 - £16.0 million) of which £12.3 million was utilised at the year end (2018 - £7.0 million) which is net of qualifying cash balances.

Bank loans include £29.9 million (2018 - £29.3 million) secured on the assets of the Group.

At 31 March 2019 the Group had medium term multi-currency revolving loan facilities totalling £30.0 million (2018 - £30.0 million). These facilities were entered into on 27 March 2015 with the Group's principal UK banker. They were due to expire on 27 March 2020 but, subsequent to the year end, these facilities have been extended to 31 January 2021. At 31 March 2019 these facilities were drawn to the extent of £29.9 million (2018 - £29.3 million) and incur interest at the rate of between 1.75% and 3.10% above LIBOR.

The bank loans are secured by guarantees from certain Group companies and by fixed and floating charges over certain of the assets of a number of the Group's companies. At 31 March 2019 the gross value of the assets secured, which includes applicable inter company balances, amounted to £75.7 million (2018 - £58.2 million). Excluding inter company balances the value of the security was £74.4 million (2018 - £42.5 million).

39 Creditors - amounts falling due after more than one year

	2019 £000	2018 £000
Bank loans	**-**	29,253
	-	29,253

40 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Deferred tax assets and liabilities are attributable to the following -						
Employee benefits	**-**	5,066	**-**	-	**-**	5,066
Tangible fixed assets	**-**	131	**-**	-	**-**	131
Other	**-**	322	**-**	-	**-**	322
Tax assets	**-**	5,519	**-**	-	**-**	5,519
Net of tax	**-**	-	**-**	-	**-**	-
Net tax assets	**-**	5,519	**-**	-	**-**	5,519

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

	2019	2018
	£000	£000
Tax losses - trading	**1,729**	940
Tax losses - capital	**227**	227
Tax losses - non trading	**74**	-
Employee benefits	**8,351**	-
Tangible fixed assets	**108**	-
Other	**14**	-
	10,503	1,167

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse in the foreseeable future. The nature of the tax regimes in certain of the regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain; this was not the case at 31 March 2019. Similarly non trading losses will only be utilised against future non trading profits; no such non trading profits are foreseen at 31 March 2019. Trading losses will only be utilised against future trading profits; no such taxable trading profits are foreseen at 31 March 2019.

The tax losses at 31 March 2019 are available to carry forward without time restriction.

Movement in deferred tax during the year -	**Balance as at 1 Apr 18 £000**	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 19 £000**
Employee benefits	**5,066**	**194**	**(5,260)**	**-**
Tangible fixed assets	**131**	**(131)**	**-**	**-**
Other	**322**	**(104)**	**(218)**	**-**
	5,519	**(41)**	**(5,478)**	**-**

Movement in deferred tax during the prior year -	Balance as at 1 Apr 17 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 18 £000
Employee benefits	5,525	(67)	(392)	5,066
Tangible fixed assets	119	12	-	131
Other	334	94	(106)	322
	5,978	39	(498)	5,519

41 Pension liability

The Group operates a defined benefit UK pension scheme which provides pensions based on service and final pay.

The Company is the sponsoring employer throughout the current and prior period and full disclosures in respect of the plan are given in note 22 of the group financial statements.

42 Reserves

The Company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the Group's share option schemes. As at 31 March 2019 the plan held 3,077 shares (2018 - 3,077 shares). The original cost of these shares was £0.003 million (2018 - £0.003 million). The cost of the shares has been charged against the profit and loss account.

43 Operating leases

Non-cancellable operating lease rentals are payable as follows –

	Land and buildings		Other	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Less than one year	**32**	35	**6**	16
Between one and five years	**-**	140	**2**	26
Over five years	**-**	35	**-**	-
	32	210	**8**	42

During the year £0.055 million was recognised as an expense in the profit and loss account in respect of operating leases (2018 - £0.061 million).

44 Contingent liabilities

The Company has entered into cross guarantee arrangements relating to the bank borrowings of its UK and India subsidiary operations. The maximum obligations under these arrangements at 31 March 2019 was £6.5 million (2018 - £2.5 million).

There are contingent liabilities arising in the ordinary course of business, in respect of litigation, which the Directors believe will not have a significant effect on the financial position of the Company or Group.

45 Profit and loss account

The loss after tax for the year dealt with in the accounts of the Company amounts to £29.873 million (2018 - loss of £5.035 million) which, after dividends of £0.000 million (2018 - £0.000 million), gives a retained loss for the year of £29.873 million (2018 - retained loss of £5.035 million).

46 Related parties

The Company has a related party relationship with its subsidiaries (see note 31), its directors and executive officers and the Group pension scheme. There are no transactions that are required to be disclosed in relation to the Group's 60% subsidiary Platform Diagnostics Limited.

Transactions with related parties are set out in note 31 of the Group financial statements.

Remuneration of the Directors, who are considered to be the key management personnel of the Company, is disclosed in the audited part of the Directors' Remuneration Report on pages 41 to 56 .

47 Accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

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

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the Companys's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. These should be read in conjunction with the significant accounting policies provided in the notes to the financial statements.

Pension assumptions

The value of defined benefit pension plan liabilities is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. The Group exercises its judgement in determining the assumptions to be adopted, after discussion with a qualified actuary. Details of the key actuarial assumptions used and the sensitivity of these assumptions are included in note 22.

Valuation of investments in subsidiary undertakings

Note 36 contains information about management's estimates of the recoverable amount of investments in subsidiary undertakings and their risk factors. Management has exercised judgement over the underlying assumptions within the valuation models. These are key factors in their assessment of whether there is any impairment in these investments.

As set out in more detail in note 36, the recoverable amounts are based on value in use and fair value less costs of disposal calculations. The use of the value in use method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the future cash flows. The use of the fair value less costs to sell method requires the estimation of the fair value of the investment in the subsidiary undertaking and of associated costs of disposal.

FIVE YEAR SUMMARY

	2019	2018	2017	2016	2015
			revised		
	£000	£000	£000	£000	£000
Revenue	**144,851**	146,214	138,282	118,974	107,503
Proforma unaudited adjusted operating profit	**8,419**	10,811	12,498	10,034	7,789
Proforma unaudited adjustment - Exceptional price concession	**(7,104)**	-	-	-	-
Underlying operating profit	**1,315**	10,811	12,498	10,034	7,789
Exceptional items	**(13,907)**	(904)	(541)	(4,857)	(31,668)
Profit / (loss) before financing costs	**(12,593)**	9,907	11,957	5,177	(23,879)
Net financing charge	**(2,061)**	(1,740)	(1,479)	(1,282)	(666)
Profit / (loss) before tax	**(14,654)**	8,167	10,478	3,895	(24,545)
Overseas sales as a percentage of total sales	**72.7%**	72.0%	70.2%	66.7%	68.0%
Underlying operating margin	**0.9%**	7.4%	9.0%	8.4%	7.2%
Net margin	**-10.1%**	5.6%	7.6%	3.3%	-22.8%
Tax rate	**-27.2%**	-4.1%	23.7%	43.8%	7.2%
(Loss) / earnings per share	**-25.4p**	11.6p	11.5p	3.3p	-33.2p
Underlying (loss) / earnings per share	**-2.7p**	9.8p	12.1p	10.1p	7.9p
Proforma unaudited adjusted earnings per share	**7.0p**	9.8p	12.1p	10.1p	7.9p
Dividend per share	**0.00p**	0.00p	0.00p	0.90p	2.75p
Non current assets	**67,214**	80,638	79,464	66,660	66,065
Net current assets excluding cash, bank and finance leases	**36,838**	37,256	29,922	20,211	16,705
Net debt	**(38,481)**	(31,476)	(26,025)	(24,750)	(24,518)
Other non current liabilities	**(53,304)**	(34,399)	(39,098)	(29,254)	(16,899)
Total shareholders' funds	**12,267**	52,019	44,263	32,867	41,353
Post tax return on shareholders' funds	**-152.0%**	16.3%	18.1%	6.7%	-55.1%
Adjusted average capital employed (equity + net debt)	**67,122**	76,260	62,984	59,715	65,584
Return on capital employed	**2.0%**	14.2%	19.8%	17.0%	14.2%
Gearing (excluding net pensions balance)	**72.6%**	41.0%	36.5%	47.7%	48.0%
Assets per share	**17p**	71p	61p	50p	62p
Capital expenditure as a multiple of depreciation	**1.5x**	2.0x	1.8x	2.2x	1.8x
Average number of employees in year	**1,501**	1,442	1,418	1,340	1,172

(a) Reconciliation of non-GAAP financial measures

	Notes	2019 £000	2018 £000
Statutory (loss) / profit after tax		**(18,632)**	8,492
Add back: Total income tax expense / (credit)	9	**3,978**	(325)
Statutory (loss) / profit before tax		**(14,654)**	8,167
Add back: Net financing charge	8	**2,061**	1,740
Statutory operating (loss) / profit		**(12,593)**	9,907
Add back: Exceptional items	7	**13,908**	904
Underlying operating profit		**1,315**	10,811
Add back: Proforma unaudited adjustment - exceptional price concession	7	**7,104**	-
Proforma unaudited adjusted operating profit		**8,419**	10,811
Add back: Amortisation of intangible assets	12	**279**	281
Add back: Depreciation of property, plant and equipment	13	**5,260**	4,732
Group proforma unaudited adjusted earnings before interest, tax, depreciation and amortisation ('EBITDA')		**13,958**	15,824
Statutory (loss) / profit before tax		**(14,654)**	8,167
Add back: Exceptional items	7	**13,908**	904
Underlying (loss) / profit before tax		**(746)**	9,071
Add back: Proforma unaudited adjustment - exceptional price concession	7	**7,104**	-
Proforma unaudited adjusted profit before tax		**6,358**	9,071
Group statutory tax expense / (credit)	9	**3,978**	(325)
Add back: Exceptional tax (expense) / credit	9	**(2,760)**	2,193
Group underlying tax expense		**1,218**	1,868
Add back: Tax impact of exceptional price concession		**-**	-
Group proforma unaudited adjusted tax expense		**1,218**	1,868
Group statutory effective tax rate		**-27.2%**	-4.1%
Group underlying effective tax rate		**-163.1%**	20.6%
Group proforma unaudited adjusted effective tax rate		**19.2%**	20.6%
Cash at bank and in hand	18	**10,330**	12,962
Interest bearing loans and borrowings - current	20	**(47,763)**	(15,185)
Interest bearing loans and borrowings - non-current	20	**(1,048)**	(29,253)
Net Debt		**(38,481)**	(31,476)

(b) Share price history

Share price per 5p ordinary share at close of business 31 March 1982 - 11.6p

Calendar year	Low	High	Calendar year	Low	High
2008	47½p	96p	2014	85¼p	292½p
2009	48½p	150½p	2015	87p	169¾p
2010	133½p	241½p	2016	106¾p	169p
2011	239p	349p	2017	120p	180p
2012	287½p	503p	2018	77¼p	127½p
2013	257p	501p	2019	10.8p	81½p

(c) Share price information

Share price information can be found on the internet at www.carclo-plc.com

(d) Further information on Carclo plc

Further information on Carclo plc can be found on the internet at www.carclo-plc.com

FINANCIAL CALENDAR 2019/20

General meeting 2019	19 December 2019
Interim report for the half year ending 30 September 2019	December 2019
Preliminary announcement of the results for the year ending 31 March 2020	June 2020

carclo

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