Carclo plc

("Carclo" or the "Group")

Preliminary Results for the year ended 31 March 2021

Carclo plc, the global solution provider focused on fine tolerance injection moulded plastic parts for the medical, diagnostics, electronics, optics and automotive safety markets, and aerospace components, announces its results for the financial year ended 31 March 2021 ("2020/21").

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Continuing operations		
Revenue	**107,564**	110,506
Underlying operating profit[1]	**4,840**	7,313
Exceptional items	**4,490**	(5,470)
Statutory operating profit	**9,330**	1,843
Discontinued operations		
Profit / (loss) on discontinued operations, net of tax	**1,198**	(9,509)
Underlying earnings per share - continuing operations	**2.4p**	4.9p
Basic earnings / (loss) per share - continuing operations	**8.5p**	(2.6p)
Net debt excluding lease liabilities	**20,541**	22,107
Net debt	**27,596**	27,357
IAS 19 retirement benefit liability	**37,275**	37,620

Continuing operations

Revenue		
Technical Plastics	102,473	103,053
Aerospace	5,091	7,453
Total	**107,564**	**110,506**
Underlying operating profit		
Technical Plastics	9,217	9,253
Aerospace	550	1,653
Central	(4,927)	(3,593)
Total	**4,840**	**7,313**

Highlights

- Resilient revenue performance despite COVID-19
    - Revenue from continuing operations decreased by 2.7% to £107.6 million (2020: £110.5 million)
    - Underlying operating profit from continuing operations decreased by £2.5 million to £4.8 million (2020: £7.3 million)
- Net cash from operating activities from continuing operations was £8.4 million (2020: £6.9 million)
- Statutory operating profit from continuing operations increased to £9.3 million (2020: £1.8 million)
- Net exceptional gain in the year of £4.5 million, reflects a £6.5 million pension credit, primarily from the introduction of flexible early retirement benefits, offset by £2.0 million restructuring costs
- Group stabilised and simplified after LED Technologies business disposal
- New Board recruited
- Three-year agreement on financing and pension contributions provides a stable platform for the business to move forward
- Continuing to invest in support of strong growth momentum in the Technical Plastics business

1. Underlying operating profit is defined as operating profit adjusted to exclude all exceptional items. A reconciliation to statutory figures in given on pages 35 and 36.

Commenting on the results, Nick Sanders, Executive Chairman said:
"*Despite a challenging period for the Group, the continuing businesses performed strongly in 2020/21 and ended the year on an improving trend.*

Following the exit of the loss-making LED business and the completion of a three-year agreement with the Group's lending bank and pension trustees, Carclo now has a more stable platform from which to develop the business. The management structure has been simplified and the senior management and Board significantly strengthened.

Whilst COVID-19 continues to create some uncertainty over our near-term performance, the Board believes that the operating businesses within the Group have attractive long-term growth opportunities, particularly within the medical diagnostics market where the CTP business is well positioned.

Alongside investing to deliver its organic growth strategy, the Board is working closely with Carclo's pension trustees on the Group's defined benefit pension deficit. Delivering a reduction in the pension deficit over time will be a key element in translating the performance of the underlying business into value creation for shareholders.

We are encouraged by our trading performance during the first quarter and the Board expects to see good progress in the current year."

Further Information

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Forward-looking statements

Certain statements made in this annual report and accounts are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause 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 36. A reconciliation to statutory numbers is included on pages 35 and 36. The Directors believe that alternative performance measures provide a more useful comparison of business trends and performance. The term "underlying" is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Executive Chairman's Statement

As for many companies, the last year has been one of disruption and uncertainty for Carclo.

The COVID-19 pandemic significantly impacted our businesses around the world, and the aftermath of the exit from our LED operations in the prior year continued to affect the Group.

Our priorities have been to ensure the safety and wellbeing of our people and the communities that we operate in and to safeguard the long-term sustainability of the business.

Despite these challenges, I am pleased to report that the Group has restructured, refinanced and created a streamlined and simplified business model. It has stabilised its operations and our performance is steadily improving.

Our largest division, Carclo Technical Plastics ("CTP") recovered well despite temporary plant closures in the first quarter due to the pandemic with our customers and also suppliers experiencing significant operational disruption throughout the year. Notwithstanding these factors, I am pleased to report that CTP total sales were broadly the same as the prior year – a tremendous achievement by the team in a very challenging economic environment.

Our Aerospace division was severely impacted by the downturn in the sector as a whole resulting in a significant reduction in order intake throughout the year. In response we rapidly adjusted our cost base to mitigate the impact of reduced post-COVID volumes and applied the government support schemes available to the business. These actions resulted in a positive cash generation for the division despite the worst economic conditions in the sector for decades, and the business remained profitable albeit at a lower level than in prior years.

The residual impact of the divestment of the Wipac division and related restructuring, refinancing and rationalisation of activities continued to be felt in the first half of the year, consuming significant Board and management time as well as incurring a high level of advisor costs. This is now behind us, with the second half of the year benefiting from the Group's new streamlined and simplified structure and a clear focus on operational and strategic improvement.

During the second half of the year, following the implementation of the new tripartite agreement, the Group has embarked on a series of proactive restructuring and rationalisation activities. These are expected to benefit the Group through the restructuring of inter-company arrangements, divisionalising and decentralising its structures and activities for greater cost-effectiveness. The establishment of the new tripartite agreement has fostered a renewed and close working relationship with the pension trustees on strategic initiatives to reduce the pension scheme deficit while preserving members' benefits. Progress has already been made in the year in establishing flexible early retirement options for members and further benefits from these positive strategic initiatives are expected to accrue in 2021/22.

In the second half of the year we introduced rigorous and regular business review processes, encompassing a broader range of new financial and non-financial KPIs. Focus is maintained and progress tracked on a weekly as well as monthly basis through financial and operational management meetings.

As previously reported, the Group concluded a tripartite agreement with its lending bank and pension trustees on 14 August 2020. This agreement provides lending facilities through to 31 July 2023 and an agreement not to alter the contributions to the Group's pension funds for the same period. There is now a focus on strong communications between bank, pension trustees and Company management, with quarterly tripartite meetings to review progress and performance, which is greatly strengthening the understanding and relationship between the three parties. This has provided a solid foundation for the business to move forward and to develop strategies for each of its divisions.

These strategies are focused on delivering profitable organic growth and operational improvement, supported by targeted investment. CTP is already starting to make solid progress against these objectives having secured a number of new contracts in the medical sector, while our focus on cash generation along with working capital improvement are starting to deliver results and facilitate growth. Recovery in the Aerospace business will take longer as we expect activity levels in this sector will remain below 2019 levels for the next three to four years. However, the overall impact on the Group business is low due to the much smaller scale of the Aerospace division.

Financial performance

Group revenue from continuing operations decreased by 2.7% to £107.6 million (2020: £110.5 million), underpinned by a strong divisional performance from CTP in the context of the COVID-19 pandemic. Revenue including discontinued operations decreased by 26.5% to £107.6 million (2020: £146.3 million).

Group underlying operating profit from continuing operations was 33.8% lower at £4.8 million (2020: £7.3 million) with basic underlying earnings per share from continuing operations 51.0% lower at 2.4 pence (2020: 4.9 pence). Statutory basic earnings per share was 10.1 pence (2020: 15.5 pence loss). The Group's net debt including IFRS 16 lease liabilities increased £0.2 million to £27.6 million (2020: £27.4 million) with positive operational cash generation from continuing operations and further proceeds from the disposal of the discontinued LED Technologies operation offsetting capital expenditure which was funded by a mixture of cash and lease liabilities.

The underlying operating profit margin from continuing operations decreased to 4.5% (2020: 6.6%), reflecting reduced activity levels in the Aerospace business and increased central costs due to PPF levy cost increases and foreign exchange movements. Underlying earnings before interest, taxation, depreciation and amortisation from continuing operations decreased to £10.8 million (2020: £13.4 million).

Return on capital employed increased from 10.1% to 13.5%.

Statutory operating profit including discontinued operations was £9.3 million (2020: £4.4 million loss) with statutory profit before tax and profit on disposal of discontinued operations of £6.6 million (2020: £7.0 million loss).

COVID-19

The pandemic inevitably had a significant impact on our business throughout the year. However, our CTP division broadly maintained total sales year on year despite the downturn. The Group has absorbed the full impact of COVID-19 within its trading results without setting aside any provisions or charges as exceptional items.

Our priority has been to keep our people and communities safe whilst maintaining business operations as far as possible. Measures to protect our employees have been regularly reviewed and updated and best practice shared across our sites around the world. The wearing of personal protective equipment, temperature testing, social distancing in the workplace and working from home measures have all been introduced as we adapted and changed to the evolving situation.

The pandemic not only impacted our businesses but the sectors in which they operate, and these impacts will be detailed further in the annual report.

Our people

I am proud of the way that the Carclo team worldwide has responded to the pandemic and I would like to thank them all for their efforts under the most challenging of conditions.

Our people are of course our greatest strength and in this year we have initiated work to strengthen our commitment to the ongoing development of our teams across each country in which we operate.

New apprenticeship and employee development accreditation schemes have been launched in our US operations and similar initiatives will be rolled out across the Group in 2021/22.

As well as training and career development opportunities, work has begun on providing health and wellbeing support for our employees and I look forward to reporting more on this in future periods. Some great examples of best practice have emerged and our intent is to implement these more broadly around the Group.

We are also increasing our focus on workforce diversity to ensure that we attract and retain the best people wherever we operate.

Board changes

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

I am pleased that we have been able to recruit Eric Hutchinson and Frank Doorenbosch to the Board. They bring a wealth of business and specific industry experience that will be invaluable as we execute our strategies going forward. Eric was appointed on 7 January 2021 and became Chair of the Audit Committee in March 2021, taking over from Peter Slabbert. Frank was appointed on 1 February 2021, and took over as Chair of the Remuneration Committee in April 2021 following David's departure.

I was appointed as a Non-Executive Director and Chairman-elect on 18 August 2020. Joe Oatley held the position of interim Non-Executive Chairman until 30 September 2020 when I became Non-Executive Chairman and following a restructuring, subsequently became the Executive Chairman on 5 October 2020, following Antony Collins stepping down as interim CEO. Joe reverted to his role as a Non-Executive Director and Chairman of the Nomination Committee and was also appointed as Senior Independent Director on 30 September 2020. I would like to thank Joe for taking on these additional responsibilities during some difficult times.

Following Matt Durkin-Jones' departure as interim CFO on 17 December 2020, on 1 March 2021 Phil White joined the Board as the permanent CFO after a short period as interim CFO. Phil also brings a wealth of knowledge and experience to the business and he is working alongside me on driving improvements across the Group.

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

Health, safety and environment
In parallel to the measures taken to manage the impact of the pandemic, the business has continued to work on continually improving the health and safety performance of our operations and I am pleased to report a 46% reduction in the number of incidents across the Group and a 20% reduction in lost time accidents. Further development of our health and safety strategies will continue in the current financial year.

Our Environmental policy has been enhanced and further improvement measures are planned as part of our overall ESG approach.

Dividend
Given the financial performance and position of the Group, coupled with restrictions on the payment of dividends contained within the refinancing agreement and the lack of distributable reserves, the Board is not recommending the payment of a dividend for 2020/21 (2020: £nil).

Governance
Since joining the Board in August 2020, I have observed the Board's focus on maintaining a strong corporate governance framework and culture throughout the Group. The Board is fully supportive of the principles laid down in the UK Corporate Governance Code and continues to review its systems, policies and procedures that support the Group's sustainability and governance practices.

Brexit
As a result of the protracted and last-minute negotiations between UK and EU governments on the terms of the UK's exit from the EU, some operational disruption was experienced by both the CTP and Aerospace businesses. The main impacts were delays in shipping goods across borders, with shipping times increasing in some cases from three days to three weeks. This was particularly acute in January and whilst the impact diminished somewhat in the following months, shipping times remain significantly longer than was the case pre-Brexit. In addition to delays, shipping costs have also increased and this appears to be a permanent reset of the market. However, we do not consider Brexit to have had a material impact on the business to date.

Pensions
The management team has worked closely with the pension trustees to establish a positive and proactive working relationship with the common aim of maintaining scheme benefits whilst reducing the scheme deficit over time. In addition to the substantial company contributions, the pension trustees during the year have worked with the Company management and initiated a range of measures on investment strategy and pension offerings to scheme members. Specifically, this included the introduction of a Bridging Pension Option whereby scheme members may opt to start taking pensions payments prior to full retirement, providing greater flexibility of pensions choice to members. The management team and pension trustees are continuing to work collaboratively to identify further opportunities for improvement.

Divisional review
Carclo Technical Plastics ("CTP")
Despite the challenges presented by the pandemic the CTP division performed well.

In the early part of the financial year the division experienced significant disruption through employee absence, customer shutdowns and supply chain delays. The management quickly introduced protocols to protect our employees and adapted flexible working patterns to maintain production through the most severe periods.

As a result of CTP's reputation for delivery and quality, the division secured three new large medical customers. Two of these customers operate in the diagnostic field and the other in pharmaceuticals. Demand for new COVID products was high and is expected to remain so for some time, whilst demand for some non-COVID medical products reduced as a result of treatments being delayed.

As a result of these new business wins, demand for new tooling increased over the prior year and is an encouraging leading indicator of future growth. Investment in new technology moulding machines also continued at a high level as the division gears up for increased demand for medical and diagnostic products (both COVID and non-COVID related).

As well as securing new customers, the division also saw increased demand from existing customers in the medical sector.

Overall demand for optical products slowed in the first half due to the impact of the pandemic on large building projects but this was partially offset by increased activity in the aftermarket and home improvement sector. Sales improved in the second half as markets began to recover. The division also developed a number of new products for the optical sector which will be released in 2021/22.

Aerospace

In common with much of the sector, the impact of the pandemic on our Aerospace business has been significant. As a result of the steep reduction in commercial aerospace activity in particular, the business experienced a large reduction in orders in the first quarter and this situation persisted for the remainder of the financial year. In response to the crisis the management team took immediate action to reduce costs and to take the benefit of government support schemes in both the UK and France. As a result of this action the business has remained profitable and cash generative throughout the year in the face of an unprecedented aerospace sector downturn post-COVID.

A range of actions have been implemented to find new growth opportunities both within the aerospace sector and in other industrial sectors and these show some potential for the future.

While it is anticipated that the recovery of sales to pre-pandemic levels will take some years to achieve, the overall impact on the Group as a whole is less significant due to the lower contribution to Group sales and therefore net income from the Aerospace division.

Strategy

The Group's strategy is to focus on being the supplier of choice in our core markets, which will deliver sustainable growth in earnings.

Further planning work has been completed in both operating divisions to underpin the achievement of this strategic goal and action plans have been defined and launched.

Each division will become "standalone" and will have the resources to operate independently of central functions as far as possible.

The central team will focus on Group strategy, capital allocation, finance, IT and governance and will work with the pension trustees to reduce the current deficit in the Group defined benefit pension funds.

CTP will continue to focus on its core markets of medical, diagnostics, electronics, optics and automotive safety, with the objective of diversifying its customer base in these sectors in each of the regions in which we operate.

This will be underpinned by further investment in capital equipment with an emphasis on new technology and increased automation and by a rigorous operational improvement plan.

This includes projects initiated in the Aerospace division to win business with new customers in the aerospace and other safety-critical industries.

Nick Sanders
Executive Chairman

30 June 2021

Finance Review

Trading performance

Revenue from continuing operations decreased by 2.7% to £107.6 million (2020: £110.5 million) with CTP revenue of £102.5 million, down 0.6% (2020: £103.1 million) and Aerospace revenue of £5.1 million, down 31.7% (2020: £7.5 million). Revenue from discontinued operations was £nil (2020: £35.8 million). Overall Group revenue decreased by 26.5% to £107.6 million (2020: £146.3 million) following the disposal of the loss-making Wipac LED Technologies division in the prior year.

Underlying operating profit[1] from continuing operations decreased by £2.5 million to £4.8 million (2020: £7.3 million). £1.1 million of the profit reduction arose from Aerospace underlying operating profit of £0.6 million (2020: £1.7 million), due to the heavy impact on the market sector from COVID-19 restrictions. CTP underlying operating profit of £9.2 million was broadly unchanged (2020: £9.3 million) and central costs of £4.9 million (2020: £3.6 million) increased by £1.3 million due to PPF levy cost increases and foreign exchange movements.

After exceptional items, operating profits for continuing operations increased to £9.3 million (2020: £1.8 million). The £4.5 million of net exceptional gains in the year reflects a pension past service credit of £6.5 million primarily from introducing a new flexible retirement option to the defined benefit pension scheme members, offset by £2.0 million of restructuring and refinancing costs. These exceptional costs were largely incurred to support the establishment of a three-year tripartite financing and funding agreement and platform for financial stability between the principal bank and pension scheme trustees in August 2020.

The £5.5 million prior year exceptional costs for the continuing business mainly related to restructuring and rationalisation costs and impairment provisions against the Aerospace business.

Underlying earnings before interest, taxation, depreciation and amortisation ("underlying EBITDA") from continuing operations decreased to £10.8 million (2020: £13.4 million). The 2020 comparative including discontinued operations was £11.3 million. The return on sales from continuing operations (defined as underlying EBITA divided by revenue) was 4.7% (2020: 6.8%).

Discontinued underlying operating losses were £0.1 million (2020: £2.9 million), having completed the exit from the Wipac LED Technologies business in the prior year.

Group underlying profit before tax from continuing operations was £2.2 million (2020: £4.9 million) after net interest of £2.7 million (2020: £2.4 million). Total Group interest including discontinued operations was £2.7 million (2020: £2.6 million), comprising net bank interest of £1.6 million (2020: £1.2 million), pension finance charges of £0.8 million (2020: £1.1 million) and leasing and other interest charges of £0.3 million (2020: £0.3 million).

The Group underlying tax charge from continuing operations totalled £0.5 million (2020: £1.4 million), an underlying effective tax rate from continuing operations of 21.0% (2020: 27.8%). The effective tax rate is higher than the current UK corporation tax rate due to the weighting of taxable profits generated in higher tax jurisdictions. The overall effective rate has reduced in the year after taking account of provisions for tax uncertainties no longer required and timing differences.

Basic underlying earnings per share from continuing operations were 2.4 pence (2020: 4.9 pence).

As set out in note 6, exceptional items incurred for continuing operations totalled £4.5 million credit, of which a £2.0 million charge relates to the costs of external advisors of the Company, its lending bank and the Group pension scheme related to the refinancing process completed in the year, and a £6.5 million credit primarily relates to past service gains from the defined benefit pension scheme after the introduction of flexible early retirement benefits.

The exceptional credit associated with the discontinued operations totalled £1.2 million, reflecting further disposal receipts from the administrator of the discontinued Wipac LED Technologies business.

Statutory operating profit was £9.3 million (2020: £4.4 million loss). Statutory profit before tax was £6.6 million (2020: £7.0 million loss) and statutory profit after tax was £7.4 million (2020: £11.4 million loss), giving a statutory basic earnings per share of 10.1 pence (2020: 15.5 pence loss). The statutory tax charge was £0.5 million, compared with a tax charge in 2020 of £1.4 million on higher profits chargeable to tax and adverse prior year movements on timing differences and provisions. A reconciliation of statutory to underlying non-GAAP financial measures is provided on pages 35 and 36.

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

Net debt
Net debt excluding lease liabilities was £20.5 million (2020: £22.1 million). Net debt including lease liabilities was £27.6 million (2020: £27.4 million).

Net cash from operating activities from continuing operations was £8.4 million (2020: £6.9 million).

In the year, the Group invested £10.5 million in property, plant, equipment and software (2020: £7.3 million) in its continuing operations, mainly in CTP's UK and USA operations. This represented 177% of the Group depreciation and software amortisation charge from continuing operations (2020: 121%).

At 31 March 2021, total UK bank facilities were £35.6 million, of which £3.5 million related to a revolving credit facility and £32.1 million in term loan facilities, of which £3.0 million are scheduled for repayment by September 2022. The three-year bank facility agreement established in August 2020 lasts until July 2023, with a commitment to agree the next refinancing arrangements by 30 June 2022.

The last triennial actuarial valuation of the Group pension scheme was carried out as at 31 March 2018, reporting an actuarial technical provisions deficit of £90.4 million. The next triennial actuarial valuation results as at 31 March 2021 are not expected to be finalised until June 2022, but the actuary's update of the 2018 triennial valuation to 31 March 2021, based on the 2018 actuarial assumptions adjusted for changes in market conditions, reported a deficit of £89.9 million, indicating the scheme to be 65% funded on a continuing basis. By way of comparison, the statutory accounting method of valuing the Group pension scheme deficit under IAS19 resulted also in a small improvement in the net liability of £37.3 million (2020: £37.6 million).

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

Each business hedges significant transactional exposure using forward foreign exchange contracts for any exposure over £20,000. The Group reports trading results of overseas subsidiaries based on average rates of exchange compared with sterling over the year. This income statement translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the income statement is exposed to movements in the US dollar, euro, Czech Koruna and Indian Rupee. In terms of sensitivity, based on the 2020/21 results, a 10% increase in the value of sterling against these currencies would have decreased reported profit before tax by £0.7 million.

Dividend
Given the financial performance and position of the Group, coupled with restrictions on the payment of dividends contained within the refinancing agreement and the lack of distributable reserves, the Board is not recommending the payment of a dividend for 2020/21 (2020: £nil). The Board intends to recommence dividend payments only when it becomes confident that a sustainable and regular dividend can be re-introduced. Under the terms of the restructuring agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending in July 2023.

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

This results statement includes both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The Group's alternative performance measures and KPIs are aligned to the Group's strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Underlying results exclude certain items because, if included, these items could distort the understanding of the performance for the year and the comparability between the periods. A reconciliation of the Group's non-GAAP financial measures is shown on pages 35 and 36.

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

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

£m (component numbers include rounding differences)	Statutory	Less exceptional items	Underlying continuing and Group
CTP operating profit	9.2	-	9.2
Aerospace operating profit	0.6	-	0.6
Central costs	(0.4)	(4.5)	(4.9)
Group operating profit from continuing operations	9.4	(4.5)	4.9
Group operating loss from discontinued operations	(0.1)	0.1	-
Group operating profit	9.3	(4.4)	4.9
Net finance expense	(2.7)	-	(2.7)
Group profit before taxation	6.6	(4.4)	2.2
Taxation	(0.5)	-	(0.5)
Profit on disposal of discontinued operations	1.3	(1.3)	-
Group profit for the year	**7.4**	**(5.7)**	**1.7**
Basic earnings per share (pence)	**10.1p**	**n/a**	**2.4p**

The exceptional items comprise:

£m	Continuing operations	Discontinued operations	Group
Restructuring and rationalisation costs	(2.0)	(0.1)	(2.1)
Gain in respect of retirement benefits	6.5	-	6.5
Profit on sale of LED Technologies business	-	1.3	1.3
Total exceptional items	**4.5**	**1.2**	**5.7**

Post balance sheet events and going concern

Post balance sheet events

On 4 May 2021, a further £0.2 million was received by HSBC from the Administrators of Wipac Ltd and has been applied as a repayment against the Group's term loan. At 31 March 2021 no asset has been recognised for this nor for further potential post balance sheet proceeds which would also be used to repay the Group’s term loan. Management's best estimate of the contingent asset at 31 March 2021 in respect of these remaining potential proceeds is £0.35 million, the receipt of the £0.2 million does not change this.

At 31 March 2021, the Group has recognised £2.1 million ($2.9 million) in loans and borrowings in respect to a Paycheck Protection Program loan. The loan was received from Commercial Bank and Trust of Pennsylvania as a promissory note, underwritten by the US Government Small Business Administration (“SBA”). On 5 May 2021, CTP USA received confirmation of forgiveness of the loan by the SBA, resulting in its conversion from a loan to a grant. The full amount will be recognised in the income statement in the year ending 31 March 2022.

Going concern

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

Sensitivity testing has been carried out based on a number of reasonably possible scenarios, taking into account the current view of impacts of the continuing COVID-19 pandemic on the Group and possible political uncertainty, including: the impact of change in the US administration, Brexit and other possible overseas trading issues.

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of loss of business from discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, the loss of COVID-related sales from large customers, delays in the timing of commencement of significant new medical projects, reduction in revenue from specific customers, minimum wage increases and exchange risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditures as necessary.

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

Phil White
Chief Financial Officer

30 June 2021

Consolidated income statement
for the year ended 31 March 2021

	Notes	2021 £000		2020 £000	
Continuing operations -					
Revenue	*4*	**107,564**		110,506	
Underlying operating profit		**4,840**		7,313	
Exceptional items	*6*	**4,490**		(5,470)	
Operating profit	*4*	**9,330**		1,843	
Finance revenue		**42**		97	
Finance expense		**(2,701)**		(2,485)	
Profit / (loss) before tax		**6,671**		(545)	
Income tax expense	*8*	**(457)**		(1,355)	
Profit / (loss) after tax but before profit / (loss) on discontinued operations		**6,214**		(1,900)	
Discontinued operations -					
Profit / (loss) on discontinued operations, net of tax	*5*	**1,198**		(9,509)	
Profit / (loss) for the period		**7,412**		(11,409)	
Attributable to -					
Equity holders of the Company		**7,412**		(11,409)	
Non-controlling interests		**-**		-	
		7,412		(11,409)	
Earnings / (loss) per ordinary share	*9*				
Basic - continuing operations		**8.5**	**p**	(2.6)	p
Basic - discontinued operations		**1.6**	**p**	(13.0)	p
Basic		**10.1**	**p**	(15.5)	p
Diluted - continuing operations		**8.5**	**p**	(2.6)	p
Diluted - discontinued operations		**1.6**	**p**	(13.0)	p
Diluted		**10.1**	**p**	(15.5)	p

Consolidated statement of comprehensive income
for the year ended 31 March 2021

	2021 £000	2020 £000
Profit / (loss) for the period	**7,412**	(11,409)
Other comprehensive (expense) / income		
Items that will not be reclassified to the income statement		
Remeasurement (losses) / gains on defined benefit scheme	**(6,540)**	7,805
Deferred tax arising	**-**	-
Total items that will not be reclassified to the income statement	**(6,540)**	7,805
Items that are or may in future be classified to the income statement		
Foreign exchange translation differences	**(2,939)**	716
Net investment hedge	**1,084**	(549)
Deferred tax arising	**137**	(124)
Total items that are or may in future be classified to the income statement	**(1,718)**	43
Other comprehensive (expense) / income, net of tax	**(8,258)**	7,848
Total comprehensive expense for the year	**(846)**	(3,561)
Attributable to -		
Equity holders of the Company	**(846)**	(3,561)
Non-controlling interests	**-**	-
Total comprehensive expense for the period	**(846)**	(3,561)

Consolidated statement of financial position
as at 31 March 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Intangible assets		**21,848**	22,880
Property, plant and equipment		**43,218**	40,395
Deferred tax assets		**384**	407
Trade and other receivables		**112**	114
Total non-current assets		**65,562**	63,796
Current assets			
Inventories		**12,821**	14,201
Contract assets		**2,898**	1,424
Trade and other receivables		**19,254**	19,775
Cash and cash deposits		**15,485**	19,309
Total current assets		**50,458**	54,709
Total assets		**116,020**	118,505
Non-current liabilities			
Loans and borrowings	*12*	**37,997**	3,862
Deferred tax liabilities		**4,393**	4,559
Contract liabilities		**866**	-
Retirement benefit obligations	*13*	**37,275**	37,620
Total non-current liabilities		**80,531**	46,041
Current liabilities			
Loans and borrowings	*12*	**5,084**	42,804
Trade and other payables		**17,016**	18,420
Current tax liabilities		**17**	879
Contract liabilities		**5,461**	1,607
Provisions		**-**	23
Total current liabilities		**27,578**	63,733
Total liabilities		**108,109**	109,774
Net assets		**7,911**	8,731
Equity			
Ordinary share capital issued	*14*	**3,671**	3,671
Share premium		**7,359**	7,359
Translation reserve		**5,333**	7,051
Retained earnings		**(8,426)**	(9,324)
Total equity attributable to equity holders of the Company		**7,937**	8,757
Non-controlling interests		**(26)**	(26)
Total equity		**7,911**	8,731

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

Nick Sanders
29 June 2021

Phil White
29 June 2021

Consolidated statement of changes in equity for the year ended 31 March 2021

	Attributable to equity holders of the Company						
	Share capital £000	**Share premium £000**	**Translation reserve £000**	**Retained earnings £000**	**Total £000**	**Non-controlling interests £000**	**Total equity £000**
Balance at 1 April 2019	3,671	7,359	7,008	(5,745)	12,293	(26)	12,267
Loss for the year	-	-	-	(11,409)	(11,409)	-	(11,409)
Other comprehensive income / (loss)							
Foreign exchange translation differences	-	-	716	-	716	-	716
Net investment hedge	-	-	(549)	-	(549)	-	(549)
Remeasurement gains on defined benefit scheme	-	-	-	7,805	7,805	-	7,805
Taxation on items above	-	-	(124)	-	(124)	-	(124)
Total comprehensive income / (loss) for the period	-	-	43	(3,604)	(3,561)	-	(3,561)
Transactions with owners recorded directly in equity							
Share-based payments	-	-	-	25	25	-	25
Taxation on items recorded directly in equity	-	-	-	-	-	-	-
Balance at 31 March 2020	3,671	7,359	7,051	(9,324)	8,757	(26)	8,731
Balance at 1 April 2020	**3,671**	**7,359**	**7,051**	**(9,324)**	**8,757**	**(26)**	**8,731**
Profit for the year	**-**	**-**	**-**	**7,412**	**7,412**	**-**	**7,412**
Other comprehensive income / (loss)							
Foreign exchange translation differences	**-**	**-**	**(2,939)**	**-**	**(2,939)**	**-**	**(2,939)**
Net investment hedge	**-**	**-**	**1,084**	**-**	**1,084**	**-**	**1,084**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**(6,540)**	**(6,540)**	**-**	**(6,540)**
Taxation on items above	**-**	**-**	**137**	**-**	**137**	**-**	**137**
Total comprehensive income / (loss) for the period	**-**	**-**	**(1,718)**	**872**	**(846)**	**-**	**(846)**
Transactions with owners recorded directly in equity							
Share-based payments	**-**	**-**	**-**	**26**	**26**	**-**	**26**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2021	**3,671**	**7,359**	**5,333**	**(8,426)**	**7,937**	**(26)**	**7,911**

Consolidated statement of cash flows
for the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Cash generated from operations	*15*	**11,202**	21,803
Interest paid		**(1,782)**	(1,568)
Tax paid		**(1,023)**	(933)
Net cash from operating activities		**8,397**	19,302
Cash flows from investing activities			
Proceeds from sale of business, net of cash disposed		**1,250**	5,456
Proceeds from sale of property, plant and equipment		**21**	2,500
Interest received		**42**	104
Acquisition of business, net of cash acquired		**-**	(250)
Purchase of property, plant and equipment		**(7,180)**	(8,512)
Purchase of intangible assets - computer software		**(139)**	(19)
Net cash used in investing activities		**(6,006)**	(721)
Cash flows from financing activities			
Drawings on new facilities		**38,697**	-
Transaction costs associated with the issue of debt		**(380)**	-
Repayment of borrowings excluding lease liabilities		**(31,666)**	(9)
Repayment of lease liabilities		**(1,601)**	(3,122)
Net cash from / (used in) financing activities		**5,050**	(3,131)
Net increase in cash and cash equivalents		**7,441**	15,450
Cash and cash equivalents at beginning of period		**8,352**	(7,038)
Effect of exchange rate fluctuations on cash held		**(308)**	(60)
Cash and cash equivalents at end of period		**15,485**	8,352
Cash and cash equivalents comprise -			
Cash and cash deposits		**15,485**	19,309
Bank overdrafts		**-**	(10,957)
		15,485	8,352

Notes on the preliminary statement

1 Basis of preparation

Whilst the financial information included in this preliminary statement has been prepared on the basis of the requirements of IFRSs in issue, as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("Adopted IFRSs") and effective at 31 March 2021, this statement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full consolidated financial statements on 26 July 2021.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2021 or 31 March 2020 but is derived from those accounts. Statutory accounts for 2019/20 have been delivered to the registrar of companies, and those for 2020/21 will be delivered in due course. The auditor has reported on those accounts. Their report for 2020/21 was (i) unqualified and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The auditor's report for the accounts of 2019/20 was (i) unqualified and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The financial statements are prepared on the going concern basis.

Despite the challenges presented by the COVID-19 pandemic, Group performance has enabled significant capital investment to be made whilst retaining a stable financial position, with net debt excluding lease liabilities as of 31 March 2021 falling to £20.5 million (2020: £22.1 million).

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

The debt facilities made available to the Group comprised a term loan of £34.5 million, of which £3.0 million will be amortised by 30 September 2022, and a £3.5 million revolving credit facility maturing on 31 July 2023. Repayments amounting to £1.6 million have been made in the period to 31 March 2021 (these are not part of the £3 million due to be amortised by 30 September 2022). In accordance with the agreement, as repayments are made, the term loan facility reduces first, meaning that, at 31 March 2021, the term loan facility available is £32.1 million (after exchange variances). £3.5 million remains available on the revolving credit facility.

A schedule of contributions has been agreed with the pension trustees through to July 2023. Beyond 2023 a schedule of contributions for £3.5 million annually is in place until 31 October 2040, but is reviewed and reconsidered between the Employer and the trustees at each triennial actuarial valuation, the next being after the results of the 31 March 2021 triennial valuation are known.

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

1. Underlying interest cover;
2. Net debt to underlying EBITDA;
3. Core subsidiary underlying EBITA; and
4. Core subsidiary revenue.

Core subsidiaries are defined as Carclo Technical Plastics Ltd; Bruntons Aero Products Ltd; Carclo Technical Plastics (Brno) s.r.o; CTP Carrera Inc and Jacottet Industrie SAS, with CTP Taicang Co. Ltd and Carclo Technical Plastics Pvt Co Ltd being treated as non-core for the purposes of these covenants. Based on our current base case forecasts, these covenant tests are expected to be met for all periods.

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

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

The Directors have reviewed sensitivity testing based on a number of reasonably possible scenarios, taking into account the current view of impacts of the continuing COVID-19 pandemic on the Group and possible political uncertainty, including the impact of change in the US administration, Brexit and other possible overseas trading issues.

Severe downside sensitivities modelled included a range of scenarios modelling the financial effects of loss of business from discrete sites, an overall fall in gross margin of 1% across the Group, a fall in Group sales of 5% matched by a corresponding fall in cost of sales of the same amount, the loss of COVID-related sales from large customers, delays in the timing of commencement of significant new medical projects, reduction in revenue from specific customers, minimum wage increases and exchange risk. These sensitivities attempt to incorporate the risks arising from national and regional impacts of the global pandemic from local lockdowns, impacts on manufacturing and supply chain and other potential increases to direct and indirect costs. The Group has the capacity to take mitigating actions to ensure that the Group remains financially viable, including further reducing operating expenditures as necessary.

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

Directors' liability

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

Responsibility statement of the Directors in respect of the annual report

The Directors at the date of this statement confirm that to the best of their knowledge:

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

2. Accounting policies

The accounting policies set out in the last published financial statements for the year to 31 March 2020 have been applied consistently to all periods presented in this preliminary statement, unless otherwise stated.

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

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

Amendments to References to Conceptual Framework in IFRS Standards (effective date 1 January 2020);
Amendments to IFRS 3: Definition of a Business (effective date 1 January 2020);
Amendments to IAS 1 and IAS 8: Definition of Material (effective date 1 January 2020); and
IFRS 9 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures: Amendments arising from the Interest Rate Benchmark Reform - Phase 1 (effective 1 January 2020).

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2021. The Group has elected not to adopt early these standards which are described below.

IFRS 16 Leases: Amendments in relation to COVID-19 related rent concessions (effective date 1 June 2020);

IFRS 4 Insurance Contracts: Amendments in relation to the temporary exemption from applying IFRS 9 (effective date 25 June 2020);
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases: Amendments arising from the Interest Rate Benchmark Reform - Phase 2 (effective date 1 January 2021);
IAS 16 Property, Plant and Equipment: Amendments in relation to proceeds before intended use (effective date 1 January 2022);
IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Amendments in relation to the cost of fulfilling a contract when assessing onerous contracts (effective date 1 January 2022);
IFRS 3 Business Combinations: Amendments to update references to the Conceptual Framework (effective date 1 January 2022);
Annual Improvements to IFRSs (2018-2020 cycle) (effective date 1 January 2022);
IAS 1 Presentation of Financial Statements: Amendments in relation to the classification of liabilities as current or non-current (effective date 1 January 2023);
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Material Judgements: Amendments in relation to the disclosure of accounting policies (effective date 1 January 2023);
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendments in relation to the definition of accounting estimates (effective date 1 January 2023);
IFRS 17 Insurance Contracts (effective date 1 January 2023); and
Amendments to IFRS 17 Insurance Contracts (effective date 1 January 2023).

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

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

3 Accounting estimates and judgements

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

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

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

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

Going concern
Note 1 contains information about the preparation of these financial statements on a going concern basis.

Key judgements –

Management has exercised judgement over the likelihood of the Group being able to continue to operate within its available facilities and in accordance with its covenants for the twelve months from the date of signing these financial statements. This determines whether the Group should operate the going concern basis of preparation for these financial statements.

Impairment of assets
Note 11 contains information about management's estimates of the recoverable amount of cash generating units and their risk factors.

Key judgements –

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

Key sources of estimation uncertainty –

The Group tests whether goodwill has suffered any impairment and considers whether there is any indication of impairment on an annual basis. Goodwill at 31 March 2021 amounts to £21.1 million (2020: £22.0 million), as set out in more detail in note 11.

The recoverable amounts may be based on either value in use calculations or fair value less costs of disposal calculations. The former requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the future cash flows. The latter method requires the estimation of fair value.

Details of the sensitivity of assumptions is included in note 11.

Pension assumptions
Note 13 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. The pension liability at 31 March 2021 amounts to £37.3 million (2020: £37.6 million).

Key sources of estimation uncertainty –

The value of the defined benefit pension plan obligation is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. Differences arising from actual experience or future changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income. The Group exercises judgement in determining the assumptions to be adopted after discussion with a qualified actuary. Details of the key actuarial assumptions used and of the sensitivity of these assumptions are included within Note 13.

A Bridging Pension Option ("BPO") was introduced in the year to 31 March 2021 with a rule change and member announcement creating a legal and constructive obligation and thus constituting a plan amendment. Having taken actuarial advice, management has exercised judgement that 40% of members will take the BPO. This estimate impacts on the past service credit recognised as an exceptional item in the income statement.

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

Key judgement –

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

Revenue recognition
As revenue from tooling contracts is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligations have been satisfied.

Key judgements –

The revenue recognised on certain contracts in the continuing Technical Plastics segment required management to use judgement to apportion contract revenue to the tooling performance obligations. The revenue recognised on premium automotive lighting tooling contracts in the prior year discontinued operations required management to use judgement to apportion contract revenue to milestones and in certain cases to estimate when milestones had been achieved.

In the current year, management of the Technical Plastics segment has had to apply judgement in determining, to which contract a significant modification relates and therefore against which performance objectives the increase in revenue should be allocated. Management determined that it relates to the tooling contract and as such the additional revenue has been recognised in part this year, with the expectation that the balance will be recognised in the year to 31 March 2022.

Key sources of estimation uncertainty –

Revenue recognised on certain contracts in the continuing Technical Plastics segment required management to estimate the remaining costs to complete the tooling performance obligation in order to determine the percentage of completion and revenue to recognise in respect of those performance obligations.

In the current year, management of the Technical Plastics division have been required to estimate the likelihood of a variable consideration component in respect to a large tooling contract becoming payable. Management determined that it was not highly probable that a proportion of the revenue will not reverse and therefore at 31 March 2021, none of the £0.7 million has been recognised in revenue. If all the required milestones are met, then this revenue will be recognised in the year ended 31 March 2022.

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

Key judgement –

Management has exercised judgement over the level of future taxable profits in the UK against which to relieve the Group's deferred tax assets. On the basis of this judgement no UK deferred tax assets have been recognised at the period end.

Classification of exceptional items
Note 6 contains information about items classified as exceptional.

Key judgements –

Management has exercised judgement over whether items are exceptional as set out in the Group's accounting policies within the Annual Report and Accounts.

Government grants
As set out in note 7, £2.1 million ($2.9 million) of government COVID-19 support loans have been classified within interest bearing loans and borrowings.

Key judgements –

Management has made a judgement that there was insufficient certainty as to whether conditions attached to £2.1 million of government loans in support of COVID-19 interruption had been met at 31 March 2021 and therefore the proceeds have been presented as loans and borrowings in the consolidated statement of financial position and no associated government grant income has been recognised during the period. Subsequent to the balance sheet date, the Group received confirmation of loan forgiveness and conversion of the funding from loan to grant was judged to have occurred at that point, after the balance sheet date. See note 16 for more information.

4 Segment reporting

During the period the Group was organised into two, separately managed, business segments - Technical Plastics and Aerospace. These are the segments for which summarised management information is presented to the Group's chief operating decision maker (comprising the Main Board and Group Executive Committee).

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

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

The Central segment relates to central costs, non-trading companies and eliminations of intra-group revenue.

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

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

Analysis by business segment

The segment results for the year ended 31 March 2021 were as follows –

	Technical Plastics (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	LED Technologies (discontinued) £000	Group total £000
Consolidated income statement						
Total revenue	**102,473**	**5,091**	**-**	**107,564**	**-**	**107,564**
Less inter-segment revenue	**-**	**-**	**-**	**-**	**-**	**-**
External revenue	**102,473**	**5,091**	**-**	**107,564**	**-**	**107,564**
Expenses	**(93,256)**	**(4,541)**	**(4,927)**	**(102,724)**	**-**	**(102,724)**
Underlying operating profit / (loss)	**9,217**	**550**	**(4,927)**	**4,840**	**-**	**4,840**
Exceptional operating items	**-**	**-**	**4,490**	**4,490**	**(52)**	**4,438**
Operating profit / (loss)	**9,217**	**550**	**(437)**	**9,330**	**(52)**	**9,278**
Net finance expense				**(2,659)**	**-**	**(2,659)**
Income tax expense				**(457)**	**-**	**(457)**
Profit from operating activities after tax				**6,214**	**(52)**	**6,162**
Profit on disposal of discontinued operations, net of tax – see note 5				**-**	**1,250**	**1,250**
Profit for the period				**6,214**	**1,198**	**7,412**
Consolidated statement of financial position						
Segment assets	**109,217**	**6,073**	**730**	**116,020**	**-**	**116,020**
Segment liabilities	**(33,951)**	**(832)**	**(73,326)**	**(108,109)**	**-**	**(108,109)**
Net assets	**75,266**	**5,241**	**(72,596)**	**7,911**	**-**	**7,911**
Other segmental information						
Capital expenditure on property, plant and equipment	**10,128**	**208**	**38**	**10,374**	**-**	**10,374**
Capital expenditure on computer software	**3**	**-**	**136**	**139**	**-**	**139**
Depreciation	**5,492**	**250**	**32**	**5,774**	**-**	**5,774**
Impairment of property, plant and equipment	**-**	**(13)**	**-**	**(13)**	**-**	**(13)**
Amortisation of computer software	**57**	**-**	**96**	**153**	**-**	**153**
Amortisation of other intangibles	**53**	**-**	**-**	**53**	**-**	**53**

The segment results for the year ended 31 March 2020 were as follows –

	Technical Plastics (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Total (continuing operations) £000	LED Technologies (discontinued) £000	Group total £000
Consolidated income statement						
Total revenue	105,169	7,453	(2,116)	110,506	35,782	146,288
Less inter-segment revenue	(2,116)	-	2,116	-	-	-
Total external revenue	103,053	7,453	-	110,506	35,782	146,288
Expenses	(93,800)	(5,800)	(3,593)	(103,193)	(38,730)	(141,923)
Underlying operating profit / (loss)	9,253	1,653	(3,593)	7,313	(2,948)	4,365
Exceptional items	(10)	(1,440)	(4,020)	(5,470)	(3,309)	(8,779)
Operating profit / (loss)	9,243	213	(7,613)	1,843	(6,257)	(4,414)
Net finance expense				(2,388)	(197)	(2,585)
Income tax expense				(1,355)	(94)	(1,449)
Loss from operating activities after tax				(1,900)	(6,548)	(8,448)
Loss on disposal of discontinued operations, net of tax				-	(2,962)	(2,962)
Loss for the period				(1,900)	(9,510)	(11,410)
Consolidated statement of financial position						
Segment assets	101,005	6,287	11,213	118,505	-	118,505
Segment liabilities	(27,207)	(1,321)	(81,246)	(109,774)	-	(109,774)
Net assets	73,798	4,966	(70,033)	8,731	-	8,731
Other segmental information						
Capital expenditure on property, plant and equipment	7,066	166	66	7,298	4,791	12,089
Capital expenditure on computer software	19	-	-	19	-	19
Depreciation	5,675	270	6	5,951	814	6,765
Impairment of property, plant and equipment	-	-	-	-	1,501	1,501
Amortisation of computer software	19	-	95	114	-	114
Amortisation of other intangibles	58	-	-	58	-	58
Impairment of goodwill	-	1,405	-	1,405	-	1,405

The Group's Aylesbury-based Optics business ("Optics") operated historically and until 20 December 2019 within the Wipac Limited legal entity, but with its business closely related to the Group's Technical Plastics segment. Immediately following Administrators being appointed to Wipac Limited (see note 5) the Group acquired the business and assets, other than trade debtors, related to Optics. Therefore, the Optics business is shown as part of continuing operations within Technical Plastics segment.

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	
	2021	2020	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**12,413**	39,555	**(41,577)**	(42,180)	**6,006**	10,353
North America	**50,814**	47,736	**25,173**	26,143	**3,720**	1,214
Rest of world	**44,337**	58,997	**24,315**	24,768	**787**	541
	107,564	146,288	**7,911**	8,731	**10,513**	12,108

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

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

The material components of the Central segment assets and liabilities are retirement benefit obligation net liabilities of £37.275 million (2020 - net liabilities of £37.620 million), and net borrowings of £34.017 million (2020 - £31.458 million).

One Technical Plastics customer accounted for 24.5% (2020 – 23.7%) and another for 10.4% (2020 – 7.3%) of Group revenues from continuing operations and similar proportions of trade receivables. No other customer accounted for more than 10.0% of revenues from continuing operations in the year.

Deferred tax assets by geographical location are as follows, United Kingdom £nil (2020 - £nil), North America £0.277 million (2020 - £0.268 million), rest of world £0.107 million (2020 - £0.139 million).

Total non-current assets by geographical location are as follows, United Kingdom £23.096 million (2020 - £20.485 million), North America £23.935 million (2020 - £23.831 million), Rest of world £18.147 million (2020 - £18.959 million).

5 Discontinued operation

The LED Technologies segment, comprised entirely of the two Wipac businesses which operated out of the UK and the Czech Republic, is presented as discontinued in the comparative period. Whilst there were no new discontinued operations in the year ended 31 March 2021, on 18 November 2020 and on 5 February 2021, proceeds of £0.5 million and £0.75 million respectively from the Administrators of Wipac Ltd were received by the Group's lending bank and used to reduce the balance on the Group's debt facility. No asset was recognised in the results for the year to 31 March 2020 for potential post balance sheet proceeds and such, £1.25 million has been recognised as exceptional profit on disposal of discontinued operations in the current year net of £0.1 million of associated costs.

6 Exceptional items

	2021 £000	2020 £000
Continuing operations		
Rationalisation costs	**(1,968)**	(4,065)
Credit in respect of retirement benefits - see note 13	**6,458**	-
Impairment of Aerospace – see note 11	**-**	(1,405)
	4,490	(5,470)
Discontinued operations		
Rationalisation costs	**(52)**	(1,808)
Impairment of LED Technologies - see note 11	**-**	(1,501)
Profit / (loss) on disposal of discontinued operations - see note 5	**1,250**	(2,962)
	1,198	(6,271)
	5,688	(11,741)

Rationalisation costs from continuing operations during the period relate to the restructuring and refinancing of the Group. These include £1.3 million in respect to legal and professional costs (2020 - £3.0 million), £0.1 million for consultants' fees (2020 - £0.3 million), £0.5 million exceptional pension scheme administration costs (2020 - £0.4 million) and £nil in respect of bank fees (2020 - £0.3 million).

The gain in respect to retirement benefits is a past service credit for the impact of introducing a Bridging Pension Option, partly off-set by a past service cost relating to GMP equalisation. See note 13 for more information.

The profit on disposal of discontinued operations of £1.3 million is proceeds received in the current year from the administrators of Wipac Limited. The LED Technologies segment which was classified as discontinued in the prior year was made up of the two Wipac businesses.

Rationalisation costs on discontinued operations during the prior period related to the restructuring of the Wipac businesses; £0.8 million of this is in respect of the cost of exiting medium volume automotive lighting contracts, £1.0 million is in respect of legal and professional fees.

7 Government support for COVID-19

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

	2021 £000	2020 £000
The governmental support utilised during the period was -		
Grants - used to off-set labour and variable costs, included within operating expenses	**747**	-
Loans - presented in loans and borrowings	**2,104**	-
Payment deferrals - presented in trade and other payables	**68**	-

In April 2020, the Group received a loan under the Paycheck Protection Program, underwritten by the US Government in support of COVID-19 for $2.9 million, presented as loans above at 31 March 2021. Subsequent to the balance sheet date, notice of loan forgiveness has been received, resulting in conversion of the proceeds from a loan to a grant. At 31 March 2021 there was insufficient certainty as to whether the conditions attached to the loan conversion had been met and as such the proceeds have been presented within loans and borrowings and no associated government grant income has been recognised in the results for the year ended 31 March 2021.

8 Income tax expense

	2021 £000	2020 £000
The expense recognised in the consolidated income statement comprises-		
United Kingdom corporation tax		
Corporation tax on losses for the current year	**308**	-
Adjustments for prior years	**-**	265
Overseas taxation		
Current tax	**(564)**	(1,350)
Adjustments for prior years	**(37)**	-
Total current tax net expense	**(293)**	(1,085)
Deferred tax expense		
Origination and reversal of temporary differences -		
Deferred tax	**(80)**	(364)
Adjustments for prior years	**(84)**	-
Total deferred tax charge	**(164)**	(364)
Total income tax expense recognised in the consolidated income statement	**(457)**	(1,449)

Reconciliation of tax expense for the year -

The tax assessed for the year is lower (2020 - lower) than the standard rate of corporation tax in the UK. The differences are explained as follows –

	2021 £000	2021 %	2020 £000	2020 %
Profit / (loss) before tax	**7,869**		(9,960)	
Income tax using standard rate of UK corporation tax of 19% (2020 - 19%)	**1,495**	**19.0**	(1,893)	19.0
Other items not deductible for tax purposes	**99**	**1.3**	2,768	(27.8)
R&D tax relief	**(26)**	**(0.3)**	-	-
Losses attributable to Wipac	**-**	**-**	3,311	(33.2)
Income not taxable	**(456)**	**(5.8)**	(1,774)	17.8
Adjustments in respect of overseas tax rates	**62**	**0.8**	286	(2.9)
Release of tax provisions	**(308)**	**(3.9)**	-	-
Other temporary differences	**(650)**	**(8.3)**	(1,184)	11.9
Adjustment to current tax in respect of prior periods (UK and overseas)	**37**	**0.5**	(265)	2.7
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**84**	**1.1**	-	-
Foreign taxes expensed in the UK	**120**	**1.5**	200	(2.0)
Total income tax expense	**457**	**5.8**	1,449	(14.5)

A net tax credit of £nil (2020 charge: £0.013 million) has been classified as exceptional items, in relation to non-UK rationalisation and restructuring costs.
A net tax charge of £nil (2020 charge: £0.094 million) has been recognised on discontinued operations.

Tax on items charged outside of the consolidated income statement –

	2021 £000	2020 £000
Recognised in other comprehensive income -		
Foreign exchange movements	**(137)**	124
Total income tax (credited) / charged to other comprehensive income	**(137)**	124

9 Earnings per share

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

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

	2021 **£000**	2020 £000
Profit / (loss) after tax but before profit / (loss) on discontinued operations	**6,214**	(1,900)
Loss attributable to non-controlling interests	**-**	-
Profit / (loss) attributable to ordinary shareholders from continuing operations	**6,214**	(1,900)
Profit / (loss) on discontinued operations, net of tax	**1,198**	(9,509)
Profit / (loss) after tax, attributable to equity holders of the parent	**7,412**	(11,409)

	2021 **Shares**	2020 Shares
Weighted average number of ordinary shares in the year	**73,419,193**	73,419,193
Effect of share options in issue	**15,974**	-
Weighted average number of ordinary shares (diluted) in the year	**73,435,167**	73,419,193

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

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

	2021 **£000**	2020 £000
Profit/(loss) after tax, attributable to equity holders of the parent	**7,412**	(11,409)
<u>Continuing operations:</u>		
Exceptional - rationalisation and restructuring costs, net of tax	**1,968**	4,052
Exceptional - gain in respect of retirement benefits, net of tax	**(6,458)**	-
Exceptional - impairment of Aerospace net of tax	**-**	1,405
<u>Discontinued operations:</u>		
Exceptional - rationalisation and restructuring costs, net of tax	**52**	1,807
Exceptional - impairment of LED Technologies, net of tax	**-**	1,501
(Gain) / loss on disposal of discontinued operations, net of tax	**(1,250)**	2,962
Underlying profit attributable to equity holders of the parent	**1,724**	318
Underlying operating profit - continuing operations	**4,840**	7,313
Finance revenue - continuing operations	**42**	97
Finance expense - continuing operations	**(2,701)**	(2,485)
Income tax expense - continuing operations	**(457)**	(1,355)
Underlying profit attributable to equity holders of the parent - continuing operations	**1,724**	3,570

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

	2021 Pence	2020 Pence
Basic earnings / (loss) per share - continuing operations	**8.5**	(2.6)
Basic earnings / (loss) per share - discontinued operations	**1.6**	(13.0)
Basic earnings / (loss) per share	**10.1**	(15.5)
Diluted earnings / (loss) per share - continuing operations	**8.5**	(2.6)
Diluted earnings / (loss) per share - discontinued operations	**1.6**	(13.0)
Diluted earnings / (loss) per share	**10.1**	(15.5)
Underlying earnings per share - basic - continuing operations	**2.4**	4.9
Underlying loss per share - basic - discontinued operations	**-**	(4.5)
Underlying earnings per share - basic	**2.4**	0.4
Underlying earnings per share - diluted - continuing operations	**2.4**	4.9
Underlying loss per share - diluted - discontinued operations	**-**	(4.5)
Underlying earnings per share - diluted	**2.4**	0.4

10 Dividends paid and proposed

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

11 Impairment of assets

Impairment tests for cash generating units containing goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill is allocated to the Group's principal CGUs, being the operating segments described in the operating segment descriptions in note 4.

The goodwill relating to the Aerospace cash generating unit was fully impaired in the year ended 31 March 2020, with an impairment charge of £1.405 million recognised. As such, the carrying value of goodwill at 31 March 2021 and 31 March 2020 is allocated wholly to the Technical Plastics cash generating unit as follows:.

	2021 £000	2020 £000
Technical Plastics	**21,065**	21,962
	21,065	21,962

At 31 March 2021, the impairment review of the Technical Plastics cash generating unit was based on a calculation of value in use. This is a change from the prior year end when fair value less costs of disposal "FVLCD" was used. In the year to 31 March 2020, FVLCD had already been calculated and considered by management as part of the restructuring analysis underpinning the financing agreements and therefore it made sense to use this method to calculate the recoverable amount. The same exercise has not been undertaken this year, however, for completeness, management have used the multiples calculated by the third-party advisor in the prior year and applied them to the current year EBITDA forecasts in order to estimate FVLCD. The result produces the same answer, that there is no impairment of goodwill.

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

The cash flows were discounted at pre-tax rates in the range 4.89% - 8.37%. 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, including changes in the discount rate and changes in forecast cash flows.

Subsequent to the balance sheet date the CGU has been trading ahead of its plan; however, with all other assumptions being unchanged, a 7.75% increase in the discount rate increasing the range to 12.64% - 16.12%, or a 47% decrease in underlying EBIT would reduce the headroom on the Technical Plastics CGU to £nil. Should the discount rate increase further than this or the profitability decrease further, then an impairment of the goodwill would be likely.
Sensitivity testing of the recoverable amount at prior year (FVLCD), demonstrated that a reduction in the earnings multiple of 1.5% applied to historical earnings would reduce the headroom to £nil.

Impairment tests for cash generating units where there is an indication of impairment

The impact of the global pandemic on the Aerospace segment as a result of the downturn in air travel has been particularly hard, and the adverse effect on the division's customer base is deemed by management to be an indication of impairment. At 31 March 2021, management have calculated the value in use to support the recoverable amount of the Aerospace cash generating unit's net assets. The goodwill allocated to this segment was impaired in the prior year and as a result any impairment would be allocated primarily to the segment's fixed assets.

The value in use calculation uses cash flow projections based upon financial budgets approved by management covering a three-year period. At 31 March 2021, management believe that the recoverable amount of the Aerospace CGU supports the carrying value of the net assets and therefore there is no impairment. Management have applied judgement in these calculations, that air travel volumes return in the medium term, and that the business's profitability improves, as this is the basis upon which the budget has been prepared.

Subsequent to the balance sheet date, the CGU has been trading ahead of its plan; however with all other assumptions being unchanged, a 12.5% increase in the discount rate or a 47% decrease in underlying EBIT would reduce the headroom on the Aerospace CGU to £nil. Should the discount rate increase further than this or the profitability decrease further, then an impairment of the fixed assets would be likely.

In respect to the prior year, an impairment review at 30 September 2019 identified an impairment of £1.501 million, which was recognised on plant and equipment in respect of the LED Technologies operating segment. This was presented within exceptional items on discontinued operations. The LED Technologies segment was disposed of during the year ended 31 March 2020.

12 Loans and borrowings

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

	Bank overdrafts used for cash management purposes £000	Term loan £000	Government COVID-19 support loan £000	Revolving credit facility £000	Lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2019	17,368	-	-	29,893	7,193	26	54,480
Changes from financing cash flows							
Repayment of other loan facilities	-	-	-	-	-	(9)	(9)
Repayment of finance leases	-	-	-	-	(3,122)		(3,122)
	-	-	-	-	(3,122)	(9)	(3,131)
Effect of changes in foreign exchange rates	54	-	-	549	-	-	603
Liability-related other changes							
Changes in bank overdraft	(7,746)	-	-	-	-	-	(7,746)
Disposal of business (see note 5)	(183)	-	-	-	(1,481)	-	(1,664)
New lease liabilities	-	-	-	-	2,660	-	2,660
Interest expense	1,568	-	-	-	-	-	1,568
Interest receivable	(104)	-	-	-	-	-	(104)
	(6,465)	-	-	-	1,179	-	(5,286)
Equity-related other changes	-	-	-	-	-	-	-
Balance at 31 March 2020	10,957	-	-	30,442	5,250	17	46,666
Changes from financing cash flows							
Drawings on new facilities	**-**	**34,354**	**2,243**	**2,000**	**-**	**100**	**38,697**
Transaction costs associated with the issue of debt	**-**	**(380)**	**-**	**-**	**-**	**-**	**(380)**

Repayment of borrowings	**-**	**(1,589)**	**-**	**(30,071)**	**(1,601)**	**(6)**	**(33,267)**
		32,385	**2,243**	**(28,071)**	**(1,601)**	**94**	**5,050**
Effect of changes in foreign exchange rates	**-**	**(657)**	**(139)**	**(371)**	**(215)**	**(1)**	**(1,383)**
Liability-related other changes							
Changes in bank overdraft	**2,184**	**-**	**-**	**-**	**-**	**-**	**2,184**
Drawings on new facilities	**-**	**-**	**-**	**-**	**3,769**	**-**	**3,769**
Termination of facilities	**(13,193)**	**-**	**-**	**-**	**(148)**	**-**	**(13,341)**
Interest expense	**61**	**84**	**-**	**-**	**-**	**-**	**145**
Interest receivable	**(9)**	**-**	**-**	**-**	**-**	**-**	**(9)**
	(10,957)	**84**	**-**	**-**	**3,621**	**-**	**(7,252)**
Equity-related other changes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2021	**-**	**31,812**	**2,104**	**2,000**	**7,055**	**110**	**43,081**

13 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"), with a funded defined benefit pension scheme which provides defined benefits for some of its members. This is a legally separate, trustee-administered fund holding the Scheme's assets to meet long-term pension liabilities for some 2,735 current and past employees as at 31 March 2021.

The trustees of the Scheme are required to act in the best interest of the Scheme's beneficiaries. The appointment of the trustees is determined by the Scheme's trust documentation. It is policy that one-third of all trustees should be nominated by the members. The trustees currently comprise two Company-nominated trustees (of which one is an independent professional trustee, and one is the independent professional Chairperson) as well as two member-nominated trustees. The trustees are also responsible for the investment of the Scheme's assets.

The Scheme provides pensions and lump sums to members on retirement and to their dependants on death. During the year to 31 March 2021, the Scheme introduced the Bridging Pension Option ("BPO"), see below for further details. The level of retirement benefit is principally based on final pensionable salary prior to leaving active service and is linked to changes in inflation up to retirement. The defined benefit section is closed to new entrants who now have the option of entering into the defined contribution section of the Scheme and the Group has elected to cease future accrual for existing members of the defined benefit section such that members who have not yet retired are entitled to a deferred pension.

The Company currently pays contributions to the Scheme as determined by regular actuarial valuations. The trustees are required to use prudent assumptions to value the defined benefit 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 2018 in accordance with the scheme funding requirements of the Pensions Act 2004. The funding of the Scheme is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus or deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. This 31 March 2018 actuarial valuation showed a deficit of £90.4 million. Under the recovery plan agreed with the trustees following the 2018 valuation, the Group agreed that it would aim to eliminate the deficit over a period of 19 years 9 months from 1 February 2021, which is by 31 October 2040, by the payment of the following annual contributions combined with the assumed asset returns in excess of gilt yields: £2.8 million in the year to 31 March 2021, £3.9 million during the year to 31 March 2022 and £3.8 million in the year ending March 2023; these contributions include an allowance of £0.6 million p.a. in respect of the expenses of running the Scheme and the Pension Protection Fund ("PPF") levy. Beyond 2023 a schedule of contributions for £3.5 million annually is in place until 31 October 2040, but is reviewed and reconsidered between the employer and the trustees at each triennial actuarial valuation; the next review being no later than by 30 June 2022 after the results of the 31 March 2021 triennial valuation are known.

On 14 August 2020 additional security was granted by certain Group companies to the Scheme trustees such that at 31 March 2021 the gross value of the assets secured, which includes applicable intra-group balances, goodwill and investments in subsidiaries at net book value in the relevant component companies' accounts, but which eliminate in the Group upon consolidation, amounted to £251.2 million (2020: £2.8 million).

Excluding the assets which eliminate in the Group upon consolidation the value of the security was £37.9 million (2020: £2.8 million).

For the purposes of IAS19, the results of the actuarial valuation as at 31 March 2018, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2021. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

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

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

Risk	Description	Mitigation
Investment risk	Weaker than expected investment returns result in a worsening in the Scheme's funding position.	The trustees continually monitor investment risk and performance and have established an investment sub-committee which includes a Group representative, meets regularly and is advised by professional investment advisors. A number of the investment managers operate tactical investment management of the plan assets. The Scheme currently invests approximately 54% of its asset value in a portfolio of diversified growth funds, 42% in liability-driven investments and 4% in cash and liquidity funds.
Interest rate risk	A decrease in corporate bond yields increases the present value of the IAS 19 defined benefit obligations. A decrease in gilt yields results in a worsening in the Scheme's funding position.	The trustees' investment strategy includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates. Approximately 96% of the Scheme's funded liabilities are currently hedged against interest rates using liability-driven investments. Note that the Scheme hedges interest rate risk on a statutory and long-term funding basis (gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.
Inflation risk	An increase in inflation results in higher benefit increases for members which in turn increases the Scheme's liabilities.	The trustees' investment strategy includes investing in liability-driven investments which will move with inflation expectations with approximately 83% of the Scheme's inflation linked liabilities being hedged on a funded basis. The growth assets held are expected to provide protection over inflation in the long term.
Mortality risk	An increase in life expectancy leads to benefits being payable for a longer period which results in an increase in the Scheme's liabilities.	The trustees' actuary provides regular updates on mortality, based on scheme experience, and the assumption continues to be reviewed.

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

	2021 £000	2020 £000
Present value of funded obligations	**(204,654)**	(210,386)
Fair value of scheme assets	**167,379**	172,766
Recognised liability for defined benefit obligations	**(37,275)**	(37,620)

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the statement of financial position as shown above.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the Scheme's liabilities whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In this case, as the Scheme is closed to future accrual, the accumulated benefit obligation is equal to the valuation using the projected unit credit method.

All actuarial remeasurement gains and losses will be recognised in the year in which they occur in other comprehensive income.

The cumulative remeasurement net loss reported in the statement of comprehensive income since 1 April 2004 is £49.336 million.

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

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

	2021 £000	2020 £000
Net liability for defined benefit obligations at the start of the year	**(37,620)**	(49,121)
Contributions paid	**2,834**	5,051
Net credit / (expense) recognised in the consolidated income statement (see below)	**4,052**	(1,122)
Remeasurement (losses) / gains recognised in other comprehensive income	**(6,541)**	7,572
Net liability for defined benefit obligations at the end of the year	**(37,275)**	(37,620)

Movements in the present value of defined benefit obligations -

	2021 £000	2020 £000
Defined benefit obligation at the start of the year	**210,386**	215,391
Interest expense	**4,730**	5,036
Actuarial gains due to scheme experience	**-**	(393)
Actuarial (gains)/ losses due to changes in demographic assumptions	**(6,727)**	1,528
Actuarial losses due to changes in financial assumptions	**12,280**	237
Benefits paid	**(9,557)**	(11,413)
Past service credit (see note 6)	**(6,458)**	-
Defined benefit obligation at the end of the year	**204,654**	210,386

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

The Scheme introduced a Bridging Pension Option (“BPO”) at retirement during the year. A change to the Scheme rules was needed in order to provide this option and an announcement was made to members shortly before 31 March 2021.

The Company and trustees agreed to set the BPO exchange terms such that 20% of the value is retained within the Scheme. Based upon the assumption that 40% of members will opt for BPO in excess of the standard pension commencement lump sum available from the Scheme, this resulted in a reduction in the current value of the accrued liabilities and as a result a past service credit has been recognised in the income statement of £6.689 million in the current year and presented within exceptional items.

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

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

The trustees commissioned scheme-specific calculations to determine the likely impact of the ruling on the Scheme. An allowance for the impact of GMP equalisation was included within the 31 March 2019 accounting figures increasing liabilities by 1.68%, a resulting past service cost of £3.559 million was recognised in the income statement at that time. There has been no change to the allowance made for the purposes of the 2021 and 2020 accounting disclosures.

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

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

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

	2021	2020
	%	%
Active	**-**	-
Deferred	**35**	43
Pensioners	**65**	57
	100	100

Movements in the fair value of Scheme assets –

	2021	2020
	£000	£000
Fair value of Scheme assets at the start of the year	**172,766**	166,270
Interest income	**3,888**	3,914
(Loss) / return on Scheme assets excluding interest income	**(988)**	8,944
Contributions by employer	**2,834**	5,051
Benefits paid	**(9,557)**	(11,413)
Expenses paid	**(1,564)**	-
Fair value of Scheme assets at the end of the year	**167,379**	172,766
Actual return on Scheme assets	**2,900**	12,858

The fair value of Scheme asset investments was as follows -

	2021	2020
	£000	£000
Diversified growth funds	**90,177**	115,046
Bonds and liability-driven investment funds	**71,044**	56,725
Cash and liquidity funds	**6,158**	995
Total assets	**167,379**	172,766

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

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

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

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

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

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

	2021 **£000**	2020 £000
Past service credit	**(6,458)**	-
Net interest on the net defined benefit liability	**842**	1,122
Scheme administration expenses	**1,564**	-
	(4,052)	1,122

In the comparative period scheme administration expenses were presented as a deduction from contributions paid by employer.

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

	2021 **£000**	2020 £000
Charged to operating profit	**1,117**	-
Credited to exceptional items	**(6,011)**	-
Other finance revenue and expense - net interest on the net defined benefit liability	**842**	1,122
	(4,052)	1,122

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

	2021	2020
Discount rate at 31 March	**2.00%**	2.30%
Future salary increases	**N/A**	N/A
Inflation (RPI) (non-pensioner)	**3.25%**	2.80%
Inflation (CPI) (non-pensioner)	**2.75%**	2.30%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.25%**	2.80%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.75%**	2.30%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.15%**	2.70%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.30%**	2.30%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.65%**	3.00%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.20%**	4.00%

The mortality assumptions adopted at 31 March 2021 are 143% and 153% respectively of the standard tables S3PMA / S3PFA (2020:137% S3PMA/S3PFA_M), year of birth, no age rating for males and females, projected using CMI_2020 converging to 1.00% p.a (2020: 1.00%) with a smoothing parameter 7.0 (2020: 7.5).

It is recognised that the Core CMI_2020 model is likely to represent an overly cautious view of experience in the near term. As a result, management have applied judgement and the CMI_2020 model has been adopted with a 2020 weighting parameter of 10% to represent possible future trend as a best estimate. These assumptions imply the following life expectancies:

	2021	2020

Life expectancy for a male (current pensioner) aged 65	**19.0 years**	19.6 years
Life expectancy for a female (current pensioner) aged 65	**21.0 years**	21.3 years
Life expectancy at 65 for a male aged 45	**19.9 years**	20.6 years
Life expectancy at 65 for a female aged 45	**22.2 years**	22.6 years

It is assumed that 75% of the post A-Day maximum for active and deferred members will be commuted for cash (2020 - 75%).

Bridging Pension Option ("BPO") take-up is assumed to be 40% (2020: n/a).

The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates, mortality rates and commutation. Due to the relative size of the Scheme's liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the Group statement of financial position.

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

	2021 %	**2021 £000**	2020 %	2020 £000
Discount rate [1]				
Increase of 0.25% per annum	**(3.43%)**	**(7,014)**	-	-
Decrease of 0.25% per annum	**3.61%**	**7,396**	3.60%	7,754
Decrease of 1.0% per annum	**15.71%**	**32,147**	15.7%	33,031
Inflation [2]				
Increase of 0.25% per annum	**1.14%**	**2,334**	2.00%	4,208
Increase of 1.0% per annum	**4.89%**	**10,004**	7.60%	15,989
Decrease of 0.1% per annum	**(0.45%)**	**(923)**	(0.80%)	(1,683)
Life expectancy				
Increase of 1 year	**5.06%**	**10,355**	3.80%	7,995

1 At 31 March 2021, the assumed discount rate is 2.00% (2020: 2.30%). An increase in the discount rate was not calculated in the comparative period.
2 At 31 March 2021, the assumed rate of RPI inflation is 3.25% and CPI inflation 2.75% (2020: RPI 2.80% and CPI 2.30%).

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 2021 is 15 years (2020: 14 years).

The life expectancy assumption at 31 March 2021 is based upon increasing the age rating assumption by one year. In the prior year the life expectancy assumption was applied by allowing for an increase/decrease in life expectation from age 60 of one year, based upon the approximate weighted average age of the scheme.
Other than those specifically mentioned above, there were no changes in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

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

	2021 £000	2020 £000
Present value of funded obligation	**(204,654)**	(210,386)
Fair value of scheme asset investments	**167,379**	172,766
Recognised liability for defined benefit obligations	**(37,275)**	(37,620)
Actual return on scheme assets	**2,900**	12,858
Actuarial gains due to scheme experience	**-**	393
Actuarial gains / (losses) due to changes in demographic assumptions	**6,727**	(1,528)
Actuarial losses due to changes in financial assumptions	**(12,280)**	(237)

14 Ordinary share capital

Ordinary shares of 5 pence each -

	Number of shares	**£000**
Issued and fully paid at 31 March 2020	73,419,193	3,671

Issued and fully paid at 31 March 2021	**73,419,193**	**3,671**

There are 15,974 vested shares outstanding in respect of a buyout award granted to a former director of the Company which will become issuable at the end of a holding period on 18 July 2021.

There are 133,000 potential share options outstanding under the performance share plan at 31 March 2021.

15 Cash generated from operations

	2021 £000	2020 £000
Profit / (loss) for the year	**7,412**	(11,409)
Adjustments for -		
Pension scheme contributions net of admin costs settled by the Company	**(2,179)**	(1,551)
Pension scheme admin costs settled by the Scheme	**910**	-
Depreciation charge	**5,774**	6,765
Amortisation of intangible assets	**206**	172
Exceptional impairment of tangible assets, arising on rationalisation of business	**-**	1,501
Exceptional impairment of intangible assets, arising on rationalisation of business	**-**	1,405
Exceptional gain in respect of retirement benefits	**(6,458)**	-
(Profit) / loss on business disposal	**(1,250)**	2,962
Loss / (profit) on disposal of other plant and equipment	**10**	(307)
Loss on disposal of intangible non-current assets	**5**	-
Cash flow relating to provision for site closure costs	**(23)**	(310)
Share based payment charge	**1**	76
Financial income	**(42)**	(104)
Financial expense	**2,701**	2,690
Taxation	**457**	1,449
Operating cash flow before changes in working capital	**7,524**	3,339
Changes in working capital		
Decrease / (increase) in inventories	**768**	(653)
(Increase) / decrease in contract assets	**(1,492)**	16,942
(ncrease) / decrease in trade and other receivables	**(308)**	2,531
Increase / (decrease) in trade and other payables	**864**	(367)
Increase in contract liabilities	**3,846**	11
Cash generated from operations	**11,202**	21,803

16 Post balance sheet events

On 4 May 2021, a further £0.2 million was received by HSBC from the Administrators of Wipac Ltd and has been applied as a repayment against the Group's term loan. At 31 March 2021 no asset has been recognised for this nor for further potential post balance sheet proceeds which would also be used to repay the Group’s term loan. Management's best estimate of the contingent asset at 31 March 2021 in respect of these remaining potential proceeds is £0.35 million; the receipt of the £0.2 million does not change this.

At 31 March 2021, the Group has recognised £2.1 million ($2.9 million) in loans and borrowings in respect to a Paycheck Protection Program loan, see note 7. The loan was received from Commercial Bank and Trust of Pennsylvania as a promissory note, underwritten by the US Government's Small Business Administration (“SBA”). On 5 May 2021, CTP USA received confirmation of forgiveness of the loan by the SBA resulting in its conversion from a loan to a grant. The full amount will be recognised in the income statement in the year ending 31 March 2022.

Information for shareholders

Reconciliation of non-GAAP financial measures

	Notes	**2021 £000**	2020 £000
Profit / (loss) for the period		**7,412**	(11,409)
Add back: (profit) / loss on discontinued operations, net of tax	4	**(1,198)**	9,509
Statutory profit / (loss) after tax from continuing operations		**6,214**	(1,900)
Add back: Income tax expense from continuing operations	4	**457**	1,355
Profit / (loss) before tax from continuing operations		**6,671**	(545)

	Note	Current year	Prior year
Add back: Net financing charge from continuing operations		**2,659**	2,388
Operating profit from continuing operations		**9,330**	1,843
Add back: Exceptional items from continuing operations	6	**(4,490)**	5,470
Underlying operating profit from continuing operations		**4,840**	7,313
Add back: Amortisation of intangible assets from continuing operations		**206**	172
Underlying earnings before interest, tax and amortisation (EBITA) from continuing operations		**5,046**	7,485
Add back: Depreciation of property, plant and equipment from continuing operations		**5,774**	5,951
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations		**10,820**	13,436
Profit / (loss) before tax from continuing operations		**6,671**	(545)
Add back: Exceptional items from continuing operations	6	**(4,490)**	5,470
Underlying profit before tax from continuing operations		**2,181**	4,925
Income tax expense from continuing operations	4	**457**	1,355
Add back: Exceptional tax expense from continuing operations	8	**-**	13
Group underlying tax expense from continuing operations		**457**	1,368
Group statutory effective tax rate from continuing operations		**6.9%**	(248.6%)
Group underlying effective tax rate from continuing operations		**21.0%**	27.8%
Cash at bank and in hand		**20,122**	19,309
Loans and borrowings - current		**(9,721)**	(42,804)
Loans and borrowings - non-current		**(37,997)**	(3,862)
Net debt		**(27,596)**	(27,357)
Add back: lease liabilities		**7,055**	5,250
Net debt excluding lease liabilities		**(20,541)**	(22,107)

<u>Information on consolidated statement of cash flows</u>

	Note	Current year	Prior year
Net cash from operating activities		**8,397**	19,302
Less: net cash used in / (from) operating activities from discontinued operations	5	**52**	(12,353)
Net cash from operating activities from continuing operations		**8,449**	6,949
Net cash used in investing activities		**(6,006)**	(721)
Less: net cash from investing activities from discontinued operations	5	**(1,250)**	(2,700)
Net cash used in investing activities from continuing operations		**(7,256)**	(3,421)
Net cash from / (used in) financing activities		**5,050**	(3,131)
Less: net cash used in financing activities from discontinued operations		**-**	1,721
Net cash from financing activities from / (used in) continuing operations		**5,050**	(1,410)

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 loans and borrowings. Used to report the overall financial debt of the Group in a manner that is easy to understand

NET DEBT EXCLUDING LEASE LIABILITIES	Net debt, as defined above, excluding lease liabilities. Used to report the overall non-leasing debt of the Group in a manner that is easy to understand
OPERATIONAL GEARING	Ratio of fixed overheads to sales
UNDERLYING	Adjusted to exclude all exceptional items
UNDERLYING EBITDA	Profit before interest, tax, depreciation and amortisation adjusted to exclude all exceptional items
UNDERLYING EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional items
UNDERLYING OPERATING PROFIT	Operating profit adjusted to exclude all exceptional items
UNDERLYING PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional items