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Carclo plc

("Carclo" or the "Group")

Full Year Results for the year ended 31 March 2024 (unaudited)

Carclo plc, the leading global provider of high-precision components, offering comprehensive services from mould design, automation and production to assembly and printing, serving the life sciences, aerospace, optics and tech sectors, announces its unaudited results for the financial year ended 31 March 2024 ("FY24").

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Continuing operations		
Revenue	**132,672**	143,445
Underlying operating profit	**6,647**	5,939
Exceptional items	**(4,857)**	(4,710)
Operating profit	**1,790**	1,229
Underlying earnings per share – basic – continuing operations	**1.1p**	0.4p
Basic loss per share – continuing operations	**(4.5)p**	(5.4)p
Net debt excluding lease liabilities	**18,290**	22,490
Net debt	**29,457**	34,360
IAS 19 retirement benefit liability	**37,186**	34,493

Continuing operations

Revenue		
CTP Design & Engineering	21,570	20,077
CTP Manufacturing Solutions	103,473	116,737
Aerospace	7,629	6,631
Total	**132,672**	143,445
Underlying operating profit		
CTP	9,417	7,321
Aerospace	1,699	1,520
Segmental total	**11,116**	8,841
Central	(4,469)	(2,902)
Total	**6,647**	5,939
Segmental underlying return on sales	**8.4%**	6.2%

Financial performance:

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

- Revenue from continuing operations decreased by 7.5% (4.5% at constant currency) to £132.7m (FY23: £143.4m).
- Underlying operating profit from continuing operations was £6.6m (FY23: £5.9m).
- Cash generated from operations was £15.6m (FY23: £7.8m).
- Statutory operating profit from continuing operations was £1.8m (FY23: £1.2m).
- Net exceptional costs in the year were largely driven by rationalisation costs incurred in CTP and totalled £4.9m (FY23: £4.7m), of which the cash cost was £0.6m (FY23: £2.2m).
- Net debt of £29.5m (FY23: £34.4m). Net debt has reduced by £4.9m from prior year, reflecting strong working capital management and the increase in operating performance, placing Carclo on a sound footing for the future. On 5 July 2024, the Group successfully extended the facilities with the Company's lender for the multicurrency term and revolving facilities agreement to 31 December 2025.

Strategic highlights:

- Fortifying our financial position for long-term success - Delivered reduction of our net debt to uEBITDA ratio, through streamlining our asset base for better returns, optimised our working capital position and focused capital expenditures.
- Factory specialisation and standardisation - Completed the reconfiguration of our APAC and EMEA facilities for specific product lines and standardising production processes, which has led to substantial gains in efficiency and product quality, supported by the integration of advanced manufacturing technologies and targeted workforce training. The reconfiguration in the US in ongoing.
- Organic growth through strategic partnerships - Expanded and deepened our strategic alliances to deliver process optimisation, new back-end automation and enhanced material utilisation.
- Embracing sustainability for a greener future – The "Zelda" project delivered strong results, which reduced external waste through material utilisation improvements. Our energy focus led to a reduction in tonnes of CO_2e per million £ of revenue. 98% of electricity used in the United Kingdom now comes from renewable resources.
- Empowering unity, driving breakthroughs - Through "One Carclo" we launched employee engagement initiatives, promoting diversity and inclusion, and encouraged cross-functional teamwork between all sites, all of which drives our performance.

Sustainability highlights:

- Leading the way in sustainability - Carclo is advancing "Project Zelda," our ground-breaking initiative to reduce waste and enhance energy efficiency. Initiating our shift to renewable energy in the UK exemplifies our commitment to sustainability.
- Strengthening supply chain sustainability - In partnership with EcoVadis, we've elevated our sustainability practices throughout our supply chain, placing us in the top 35% of companies globally—a significant rise from last year's top 50%.
- Engaging communities, creating lasting social value - We actively promote and encourage our employees to engage in community support through initiatives like volunteering for charity events, such as the Royal Marsden Hospital walk, and partnering with educational institutions for skills development and training. Additionally, we prioritise safety and sustainability, celebrating milestones like accident-free days across our sites and investing in energy-efficient technologies and green community projects.

Commenting on the results, Frank Doorenbosch, Chief Executive Officer said:

"Carclo has undergone a lot of change and adaptation in the last year. We have faced difficulties, but we have also prioritised health and safety, enhanced our financial position, and fortified our position *for lasting and stable growth.*

Looking to the future, our strategy will centre on reigniting our innovation engine. We will focus on enhancing product development, refining processes, and investing in our talented team. The strategic closure of our short-run operations in Derry and the consolidation of assets and talent in Pennsylvania will streamline our operations and drive innovation.

With a clear vision, a robust strategy, and our commitment to our customers and employees, we are confident in our ability to navigate the challenges ahead and appear as a stronger, more resilient organisation. The future holds great promise for Carclo, and we are excited to embrace the opportunities that lie ahead."

Further Information

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Forward-looking statements

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

Alternative performance measures

A reconciliation to statutory numbers is included within the Finance Review. The term “underlying” is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Chief Executive Officer’s Review

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

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

Carclo faced a number of external challenges during the year, including continued high inflation and interest rates, supply chain disruptions and fluctuating raw material costs. We overcame these obstacles through strong teamwork as One Carclo, leveraging our collective expertise and resilience to adapt and thrive in a rapidly changing environment. During the year we continued the implementation of our EMEA restructuring plan, announced the closures of the Derry and Tucson sites and reallocated the assets initially installed for the manufacturing contract that did not materialise. Our strategic focus, rigorous cost management, optimised operational efficiencies and strong supplier relationships have allowed us to navigate these challenges effectively. Our investment in advanced manufacturing strategy and technologies has bolstered our production capabilities, ensuring we remain agile and competitive in a volatile market.

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

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

<u>Strengthening balance sheet:</u> We have fortified our financial foundation through strict cash management, selective capital investment, improved working capital positions, and enhanced business performance. These measures have prepared us to weather economic uncertainties and seize growth opportunities. As a result, our net debt to uEBITDA leverage in FY24 is now 2x (FY23: 2.5x) and working capital as a percentage of revenue has been driven close to our target range of 5.0% and 7.0%

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

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

<u>Maximising the value of our global footprint:</u> We have leveraged our international presence to both deliver local service and support our global customers as well as to drive efficiency and innovation through a number of strategic actions in FY24. We have implemented factory specialisation for medium and long runs in the EMEA region, which has streamlined our operations and improved productivity. In the US we ceased our short-series production, closing our Derry, NH facility. We are optimising our operations by focusing production and talent in Pennsylvania, leading to the recently announced closure of our Tucson facility. We are equipping our facility in Greensburg, PA, to become an assembly-focused site, resulting in more efficient specialized operations in the different PA sites, mirroring our successful EMEA model. The improved Greensburg facility is also our Design & Engineering (D&E) centre in PA enhancing customer support and serving as a training hub for our technical talent. We have bolstered our global production capabilities by reallocating assets strategically and investing in advanced sustainable manufacturing technologies. These actions ensure we remain competitive, optimise operational efficiencies and deliver superior value to our customers. Our global strategy enhances our market position and reinforces our commitment to continuous improvement and long-term profitability.

Financial overview

In a year of unpredicted challenges and significant victories, we made significant progress in improving both our financial health and the robustness of our operations, reflecting the effectiveness of our strategic decisions. Our Return on Capital Employed (“ROCE”) increased from 9.7% in FY23 to 13.1% in FY24. We delivered an improved contribution margin over last year of 36.0% on a revenue of £132.7m. Our FY24 underlying EBIT reached £6.6m, marking an increase of 21.8% from FY23 at a constant exchange rate. Cash generated from operations grew to £15.6m, up 100.8% against the prior year. We maintained streamlined operational cash management, resulting in working capital as a percentage of revenue at 7.9% in FY24 (FY23: 11.0%). Additionally, we reduced our net debt / uEBITDA from 2.5x to 2.0x in FY24, highlighting the effectiveness of our debt management strategy.

Strategic achievements and operational highlights

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

Divisional Performance: CTP

Design & Engineering ("D&E")

Our Design & Engineering business has thrived, driven by our dedication to precision and excellence in every customer project. Activity has focused on "Asset Revitalisation", a distinctive program to support operational excellence by upgrading existing manufacturing systems, which will continue in the coming years.

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

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

Manufacturing Solutions ("MS")

Our Manufacturing Solutions business has made significant progress in operational excellence and strategic realignment, despite a 8.3% revenue decline on a constant currency basis. Including the effect of currency movements, CTP MS experienced a year-on-year revenue decrease from £116.7 m to £103.5 m, influenced by several strategic and market factors. The reduction in revenue was largely due to the cessation of PCR COVID-19 testing, which impacted our customers' volumes. Additionally, we strategically curtailed short-run and loss-making business segments, further refining our focus on sustainable and profitable growth. Although these actions led to a decrease in sales, they position us for a stronger and more stable financial future.

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

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

CTP Profitability

Focusing on margins, we have achieved an increase in contribution margin compared to prior year, resulting in a remarkable 28.6% increase in uEBIT for our CTP business compared to FY23. Our margin improvement demonstrates the effectiveness of our strategic initiatives and positions us to seize future growth opportunities. By continuing to drive operational excellence and strategic alignment, we are well-positioned to strengthen our manufacturing capabilities and deliver unparalleled value to our customers.

Divisional Performance: Aerospace

Our Aerospace division has achieved record revenue of £7.6m (FY23: £6.6m) and near-record profits, successfully navigating the post-COVID aerospace recovery. Growth continues in our high-end engineering and machining product lines, driven by our development in precision machining techniques. Our strong performance in Southeast Asia, where we outpaced the high regional market growth, now accounts for nearly 10% of our aerospace revenue, highlighting our quality-driven approach.

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

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

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

Sustainability commitment

Sustainability is a cornerstone of our strategic vision. Over the past four years, we have improved our CO_2e efficiency year by year, reducing tonnes of CO_2e per £1m revenue from 155.3 to 142.6 which is particularly commendable given the recent 7.5% reduction in revenues. Our commitment to sustainable practices includes Project Zelda, which is already showing promising results in improved process and material management—an essential second step in our journey to operational excellence. Additionally, we have enhanced our Ecovadis score, moving from the top 49% of companies to the top 35%, reflecting our dedication to exceeding industry standards.

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

Looking Ahead: strategic focus

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

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

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

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

In the long term, we aim to develop and integrate proprietary technologies and products to enhance our market offering. While we are excited about the potential of our focused innovation incubator engine to drive this development, we do recognise the importance of demonstrating immediate and tangible growth. By prioritising our medium-term growth initiatives, we aim to provide confidence to our stakeholders that we can achieve sustainable and profitable growth while carefully advancing our long-term strategic goals. This balanced approach reassures stakeholders that we are committed to walking before we run, ensuring steady progress and minimising risks associated with the incubator.
Our unwavering commitment to enhancing the customer experience is central to this strategic vision. We will deliver high-quality products and services that exceed expectations. Equipped with a great team, a clear strategic vision, and a robust financial position, we can navigate the challenges ahead and emerge as a more vital, resilient organisation. Our steadfast dedication to our customers and employees will be crucial to our success.

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

Outlook

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

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

Closing remarks

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

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

Frank Doorenbosch
Chief Executive Officer

Finance Review

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

The lower demand by key customers for PCR testing and lost business in FY23 impacting the base business for FY24, resulted in lower revenues of £132.7m against last year's £143.4m. The impact of currency movement was marked, being a £4.5m decrease on the prior year comparative.

Of the £132.7m achieved, £5.9m relates to work not transferred from sites closed or being closed which, in effect, lowers the base level of revenue as we start the new financial year.

The underlying operating profit came in at £6.6m, compared to £5.9m (or £5.5m at constant currency) in the prior year. The prior year also benefited from foreign exchange gains of £0.9m. Return on revenue was 5.0%, increasing by 0.9 of a percentage point over 4.1% last year. The increase in profitability was due to the actions implemented by our advanced process optimisation programme increasing asset utilisation, improved pricing processes, better purchasing and the drive to reduce waste, which increased contribution margins, which were up by 4.0 percentage points to 35.9%. Overheads were slightly up at £40.9m (FY23: £40.0m). The second half underlying operating profit was £4.4m, representing a marked increase on the first half of FY24 of £2.2m, resulting in £6.6m for the full year.

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

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

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

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

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

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

As we deliver on our strategic priorities, we will continue to report those KPIs which we consider best demonstrate the progress being made towards achieving our strategic goals.

Financial Position

Net Debt

During the year, we redirected our investment in capital expenditure towards those with a rapid payback, focusing on our continuous improvement strategy aimed at supporting asset performance and utilisation. Tangible additions were £7.5m (2023: £5.8m) mainly in support of major customer programmes. Of this investment, £4.6m (FY23: £3.5m) was delivered via leasing.

Following the shift in strategic focus, improvements in our cash generation have reduced net debt. Net debt, including IFRS16 lease liabilities, decreased in the year by £4.9m to £29.5m (FY23: £34.4m). Net debt excluding leases decreased £4.2m to £18.3m (FY23: £22.5m).

Cash

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

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

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

Cash generated by the Group was principally utilised to make capital investment and lease repayments, pension deficit repair contributions, scheduled and unscheduled bank loan repayments and interest payments.

Debt

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

Bank facilities

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

The debt facilities available to the Group on 31 March 2024 comprise term loans of £24.0m, denominated in sterling 9.2m, in US dollar 13.3m and in euro 4.9m. Of the sterling loan, £2.3m will be amortised by 31 March 2025 and £3.8m will be amortised in the period between 31 May 2025 and 30 November 2025 before the balance becomes payable by the termination date, 31 December 2025. The facility also includes a £3.5m revolving credit facility, denominated in sterling, maturing 31 December 2025. The revolving credit facility was largely repaid in the period, leaving an amount drawn at 31 March 2024 of £0.3m (2023: £3.5m).

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

Segmental Overview

CTP division

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

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

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

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

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

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

Aerospace division

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

Central costs

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

Defined benefit pension scheme actuarial valuation

The last triennial actuarial valuation of the Group pension scheme was carried out as at 31 March 2021. This reported an actuarial technical provisions deficit of £82.8m. The statutory accounting method of valuing the Group pension scheme deficit under IAS 19 resulted in an increase in the net liability to £37.2m as at 31 March 2024 (2023: £34.5m).

Over the year, the Group's contributions to the scheme were £3.5m (2023: £4.1m).

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

Disclosures under IAS19 may be volatile from year-to-year. This is because the liabilities are measured by reference to corporate bond yields whereas the majority of the Scheme's assets are invested across a variety of asset classes that may not move in the same way.

Treasury

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

The Group reports trading results of overseas subsidiaries based on average rates of exchange compared with sterling over the year. This income statement translation exposure is not hedged as this is an accounting rather than cash exposure and as a result the income statement is exposed to movements in the US dollar, euro, renminbi, Czech koruna and Indian rupee. In terms of sensitivity, based on the FY24 results, a 10% increase in the value of sterling against these currencies would have decreased reported profit before tax by £0.8m.

Dividend

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

Alternative performance measures

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

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

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

All profit and earnings per share figures relate to underlying business performance (as defined above) unless otherwise stated. A reconciliation of underlying measures to statutory measures for FY24 is provided below:

£000 Continuing operations:	Statutory	Exceptional items	Underlying
CTP operating profit	6,158	(3,259)	9,417

Aerospace operating profit	1,649	(50)	1,699
Central costs	(6,017)	(1,548)	(4,469)
Group operating profit from continuing operations	1,790	(4,857)	6,647
Net finance expense	(5,587)	—	(5,587)
Group (loss) / profit before taxation from continuing operations	(3,797)	(4,857)	1,060
Taxation credit / (expense)	498	743	(245)
Group (loss) / profit for the period	**(3,299)**	**(4,114)**	**815**
Basic (loss) / profit per share (pence)	**(4.5)p**	**(5.6)p**	**1.1p**

The exceptional items comprise:

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

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

Post balance sheet events and going concern

Post balance sheet events

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

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

Going concern

The financial statements are prepared on the going concern basis.

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

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

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

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

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

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

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

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

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

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

The Group is not exposed to vulnerable sectors or vulnerable countries but is dependent on certain key customers, which create risks and uncertainties. These risks and uncertainties and the mitigating actions being taken will be covered in detail in the principal risks and uncertainties section of our annual report and accounts.

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that the Group will continue to operate within the facilities available and will be able to adhere to the covenant tests to which it is subject throughout at least the twelve-month period from the date of signing the financial statements.

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

Eric Hutchinson
Chief Financial Officer

Principal risks and uncertainties

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

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

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

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

The Board is responsible for creating the framework for the Group's risk management to operate effectively and for ensuring risk management activities are embedded in Carclo processes. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities. The Board undertakes risk management to improve its understanding of the actual and potential risks to our business as well as its resilience, performance, sustainability and success, to enable it to assess and respond to new opportunities as they arise and to provide fair and balanced information to shareholders and potential shareholders.

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

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

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

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

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

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

Local management takes ownership of the specific risks relevant to their sphere of operations with the likely causes and effects recorded within the risk register held at site level, with corporate risks being identified within the Group Executive Committee. The risks are scored based on likelihood and severity to enable any significant risk to be readily identified and the appropriateness of mitigations to be considered. The risk registers are reviewed, challenged and debated to keep them up to date and relevant to our strategy. Risks are escalated as appropriate.

During the year all the key risks identified by the sites were evaluated and aggregated, with the highest risks reviewed in detail at the Group Executive Committee meetings. This Committee then proposed the risks that it considered key to the running of the business for evaluation at the Board meeting.

The Board carried out a review of effectiveness which concluded that the risk management process that had been in place during the year was operating as documented and continued to be appropriate.

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

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

The responsibilities of the Audit & Risk Committee will be detailed in the FY24 annual report and accounts. These responsibilities include the reviewing of the Group's risk management systems. These are primarily designed to mitigate risk down to an acceptable level, rather than completely eliminate the risk, and the review can provide only reasonable and not absolute assurance of effective operation, compliance with laws and regulations and against material misstatement or loss.

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

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

Risks	**Mitigation**
1. Treasury risk (funding, liquidity, foreign exchange ("FX"), and banking and pension covenants)	
Change: increased	
On 5 July 2024, the Group successfully agreed with the Company's bank to extend the Company's facilities to 31 December 2025. At 31 March 2024, total UK bank facilities were £27.5m, of which £3.5m related to a revolving credit facility (maturing on 31 December 2025) and £24.0m in term loan facilities which expire on 31 December 2025. There are covenants over interest cover, net leverage, core subsidiary revenue and core subsidiary EBITA in respect of the agreed £27.5m committed debt facility. These are tested quarterly. In terms of foreign exchange ("FX") risk, Carclo plc has sterling, dollar and euro denominated bank debt and sterling debt for the pension scheme. There is a risk that insufficient income may be generated in foreign currencies, which could impact the Group's ability to service the bank and pension liabilities. Strengthening of sterling against the subsidiaries' functional currencies creates a downside risk to P&L forecasts. Potential interest rate increases could also increase debt servicing costs by approximately £0.1m for each 0.25% interest rate increase. Volatility in performance has resulted in exposure to credit risk due to uncertainty in supporting financial covenants combined with the full year increasing cost of servicing debt.	**Funding and liquidity planning and monitoring:** Group management monitors liquidity across all regions through a rolling 13-week cash forecast and over the medium term through annual three-year forecasting and regular in-year reforecasts. Since the inception of the bank facility in August 2020 the Group has made capital repayments of £10.4m up to the period ending 31 March 2024. The Group intends to continue to make scheduled repayments when due and to further accelerate repayment of the bank debt through additional unscheduled capital repayments, on an event-driven basis. Group cash headroom at 31 March 2024 against bank facilities was £9.2m and net debt excluding lease liabilities was £18.3m. **Bank and pension covenant compliance monitoring**: The Group maintains a regular dialogue with both the bank and the pension scheme trustees. Covenant compliance is reported monthly to the bank and pension scheme trustees in tripartite reports and is reviewed alongside Group performance regularly in tripartite quarterly management meetings with the Chief Executive Officer and Chief Financial Officer. Agreed bank and pension covenants have been met continuously since establishing the initial £38m bank debt facilities in August 2020. **Management of FX exposures:** <u>Divisional FX hedging accountability</u> FX risk is managed at subsidiary level through natural hedges or forward contracts where the FX commitment timing and quantum is known and material. Subsidiary-level risk management has been effective to date with relatively minor exchange gains and losses recognised at subsidiary level. <u>Group FX hedging policies are in place</u> These are set out in the Group finance manual to help mitigate FX exposure in central treasury with reference to latest currency cash flow and financial forecasts.

The majority of the Group's earnings are now generated overseas, with the plc itself non-trading and therefore requiring regular funding as a cost centre entity with committed bank and pension debt repayments. If there was insufficient ability for overseas subsidiaries to repatriate cash to the plc then it could create a liquidity shortfall.	Individual material FX cash flow hedging is applied where significant FX exposure may arise, such as from large capital or project spend or sale contracts, or where significant cash repatriations are assessed against net FX cash current and forecast positions to determine whether hedging is appropriate. Multi-currency bank debt hedging in place USD 13.3m and EUR 4.9m of debt is held in currency, providing a hedge over parts of the Group's net investment in foreign operations. **Interest rate management:** The Group uses forward yield curves to forecast interest as part of its three-year planning process and runs sensitivities around increasing interest rates. Over the three-year plan period the Group is targeting significant additional capital repayments on its debt facilities. Although finance costs are anticipated to increase in the short term due to recent market interest rate increases, the reduction in debt will bring future finance cost benefits. **Monitoring:** The Group generally aims to generate sufficient cash to cover holding company funding requirements, although there may be timing shortfalls to forecast, monitor and resolve with funding where needed. The Group monitors liquidity Group-wide by country through a rolling 13-week cash forecast and over the medium term through annual three-year forecasting. **Inter-company charge processes in place:** Cash is regularly remitted to the UK from subsidiaries via dividends, royalties and management service recharges, such as IT, Group finance and management, as well as from intra-group loans. Subsidiaries regularly forecast their available cash to remit over the short and medium time horizons, allowing UK liquidity to be planned and managed. **Support from professional tax and treasury advisors:** External advisors provide appropriate technical and legal guidance on inter-company trading, management charges and managing the appropriate and effective payments and receipts of inter-company cash.

Risks	Mitigation
2. Operational execution risk and management bandwidth/dependence on key individuals	
Change: unchanged	
CTP is currently going through a period of change as it focuses on the delivery of significant improvements in operational performance. This includes a number of critical re-structuring projects which if not executed well will absorb management time, impact customer relationships and hinder forecast earnings growth and cash generation. Continued scarcity of labour globally, but in particular in the US, may impact the Group's ability to execute both projects and production. There are some key members of management with significant experience of the business and upon whom the Group particularly relies. There is a continuity risk in the case that any of these individuals decide to leave the Group.	**Regular risk reviews:** The Group has developed an enhanced focus on site-level risk management. Frequent management reviews between risk owner and reporting managers are conducted. **Succession planning:** The Group has commenced the roll-out of formal succession planning across all management to identify and mitigate the highest risks for cover and succession and implement plans to reduce the risk of significant business impact from key dependent loss. **Operational excellence:** The Group is putting an increased focus on operational excellence to ensure that the operational execution risk is minimised. This involves investment in both people and systems to ensure that the business meets both the needs of its customers and also maximises the efficient usage of its assets. Delivery of key restructuring projects is regularly monitored, and the Board is kept appraised on progress to ensure projects are delivered on time and on budget. **KPI reporting and regular local and Group management monitoring:** Performance execution is managed via enhanced focus on management of risks at a local level, regular and frequent management reviews between risk owners and reporting managers and the use of operational KPIs reporting and monitoring.

Risks	Mitigation
3. Supply chain disruption and political uncertainty, leading to increasing input costs and extended lead times	
Change: unchanged	
The disruption as a legacy of the pandemic on global industries with diverse supply chain dependencies such as Carclo continues, with increased supplier costs, delays, shortage of labour and materials resource having a significant impact on costs, profitability and customer service for the Group alongside many industries. Furthermore, political uncertainty such as the Russian invasion of Ukraine, war in Gaza and heightened risk of wider conflict threatening supply chain routes, and other overseas trade issues such as US and China trade tariffs can naturally affect decisions by our customers to invest and therefore impact on our trading in those locations.	**Process:** The Group Executive Committee and local management monitor and review relevant supply chain risks and political and trade developments regularly, using input from advisors as appropriate, and establish action plans and strategies accordingly, while engaging with trade associations and government bodies. **Increasing risk level:** Supply chain difficulties and increased costs continued throughout 2023, particularly with regard to energy supply. Current uncertainties around the supply of petroleum-based material means that Carclo continues to work tactically and specifically with priority areas of the supply chain and customer delivery to minimise supply disruption, net cost impact, and customer shortfalls in delivery. Post-pandemic materials and labour shortages, subsequent higher cost, and greater delays in order fulfilment exacerbated by the war in Ukraine continue to challenge companies, including Carclo. **Offsetting opportunities:** Management is putting an increased focus on operational effectiveness and efficiency to mitigate the effects of these challenges. Robust processes have been put in place to respond to price inflation in a timely manner.

Risks	Mitigation
4. IT security breach, systems failures	
Change: increased	
Hacking and ongoing data security risk is a concern for businesses everywhere. For listed companies like Carclo the risk increases. There has also been a substantial rise in cyber-criminal activity such as ransomware and trojan deployment and an increase in sophistication and frequency of attacks has been seen. Stakeholders and insurers are increasing the thresholds required of cyber security greatly, and increased turbulence in the global economy has further heightened the risk of unwanted systems breaches. Our IT systems process immense data volumes each day. These systems contain confidential information about our customers, employees and shareholders. A breakdown or system failure may lead to major disruption for the businesses within the Group, especially if network access is lost. Breaches of IT security may result in unauthorised access to or loss of confidential information, breaches of government data protection legislation, loss or stoppage of the business, reputational damage, litigation and regulatory investigation or penalties. Systems failure impact can have significant operational and financial ramifications if connection is unable to be restored quickly. Limited cyber breaches have resulted in the exploitation of internal control weakness through an intense social engineering fraud. The weakness exposed was a lack of oversight regarding the change to bank account details for supplier payments. False information led to the transfer of legitimate payments to a fraudulent bank account, whilst some money was recovered through the banking system and the crime insurer made a settlement for part of the loss the company still suffered a financial loss.	**Security frameworks:** Carclo uses a security password-protected firewall to help minimise the risk of fraudsters hacking into the system,and has a number of security solutions to monitor and protect its users and maintains its systems with up-to-date versions of all its major applications. During the last twelve months the Group has implemented a comprehensive suite of cyber protection software firewalls. Cyber controls have been put in place and are monitored closely and significant levels of cyber security training continue to be carried out across the Group. Multi-factor authentication has been implemented across all Group sites. **Multi-level security and review:** IT management undertakes regular risk reviews to keep data secure and construct a layered environment that provides a countermeasure to the varying forms of cyber-attacks. Multiple security applications, layers of back-up, limiting access to core systems and restructuring IT in-house skill to proactively respond to emerging cyber threats are some of the countermeasures now activated. **Accelerating cloud-based systems and security migration:** As part of the Group's new IT strategy the Group is accelerating migration to cloud-based systems and security for underpinning protection of Group systems as well as cost-efficiency and effectiveness. **Reducing Disaster Recovery lead times:** The business has a defined Disaster Recovery process. Previous targets for full recovery in five days are now being superseded by new solution plans to roll out 24-hour data recovery and return to operations, which is tested each year.

Risks	Mitigation

5. Reliance on major customers and credit risk	
Change: unchanged	
A substantial part of the Group's revenue is concentrated in a relatively small number of large customers. Details in relation to concentration risk have been disclosed in note 3 of the FY24 annual report and accounts: segment reporting. Any underperformance could lead to the loss of existing or future business with the customer. Further, other competitive factors or changes in customer behaviour could lead to a significant loss of revenue. Pressures from price increases required to offset the post-pandemic input cost inflation impact across the business and international economies could trigger opposition from customers and destabilise the relationship. The largest concentration of customer risk is at the India plant with predominantly one large global customer. We have a major end customer of the Aerospace business, who along with the rest of the sector experienced a downturn in the aerospace market due to the pandemic. Orders are however now recovering strongly as air travel increases and aircraft build rates are reverting to more normal levels.	Management is putting an increased focus on operational excellence to ensure that the Group retains its key customers through class-leading cost, quality and delivery. The Group has long-standing positive relationships with its key customers and the high levels of investment the Group has made in both production equipment and process know-how help to ensure the longevity of those relationships. Diversification of business is being sought longer term where concentration levels are most high, such as India. This will take time to develop. Credit risk has been reduced significantly by gaining credit insurance cover in the financial year for the whole Group, including notably India and China, where previously credit insurance cover was absent or limited. Our policy has been to focus on major customers who are blue-chip multi-nationals operating in the medical, electronics and aerospace markets, providing a degree of credit protection from strength, size and reputation.

Risks	Mitigation
6. Pensions	
Change: unchanged	
Carclo's UK defined benefit pension scheme, having long since closed to new entrants, is mature and large compared with the size of Carclo. Whilst the interests of the Group and the pension fund trustees are aligned in agreeing an affordable schedule of deficit repair contributions, there is always some element of risk that this will not be achieved. Therefore, there remains a risk that the Pensions Regulator may impose conditions on the Group that the Directors deem to be unaffordable. The Group expects it will be able to make the payments set out in the schedule of contributions. The PPF levy is a tax on the scheme's net liability driven by the Group's credit risk. Any change in this cost would be recognised in the Group income statement and whilst it would be settled out of scheme assets, thus protecting the Group's cash, it diminishes the deficit reduction effect of the Company's contributions.	**Trustee liaison:** The Group fully engages with the scheme via the Chair of the Trustees, who is responsible for the development of a strategy to proactively manage assets, liabilities and administrative costs of the scheme. **Trustee regular monitoring:** Regular review of the pension scheme and Company position is conducted currently in the form of tripartite meetings between the bank, the trustees and the Company. **Deficit reduction initiatives:** The Group works with the trustees on deficit reduction initiatives. The Group offers eligible pensioners the option to switch from a pension with indexed-linked pension increases to a higher fixed pension with no future increases. The Company has also introduced a Bridging Pension Option which reduced the accounting (IAS 19) calculation of the scheme deficit and may also reduce the scheme liabilities on the trustees' technical provisions basis. **PPF levy management:** The Group continues to liaise with advisors and the scheme's Chair in respect of PPF levy management and other opportunities which can help benefit members and scheme liabilities. **Enterprise value growth:** Group management, with the support of the bank and scheme, is focused primarily on growing Group enterprise value to reduce the deficit relative to the size of the Group. The Group has presented its budget and long-term plans to the scheme and the bank. **Investment strategy:** The Company has participated in Trustee Board changes made to the scheme's investment management. The Trustee Board has adopted an investment strategy with some risk to enable asset growth to help reduce the scheme's deficit. The Trustees elected to reduce the level of the hedged technical provisions liability to 60% to help avoid the risk of hedges becoming unsupportable should gilt yields rise again. As a further stability measure, the scheme also

	maintains “cash flow matching” bonds covering a large proportion of the expected pension outflows for the next nine years.

Risks	**Mitigation**
7.Climate-related risks	
Change: unchanged	
The current global warming that is occurring brings an increased number of risks (and opportunities) to the Carclo Group, which, if not managed correctly, could have a major impact on Carclo’s operational and financial outcomes and could lead to significant reputational damage.	**Governance:** To ensure that Carclo complies with regulatory requirements and also uniformly addresses the significant risks and opportunities that climate change is bringing, Carclo has set up a governance structure to provide central control with appropriate delegation of authority to mitigate the risks posed. **Strategy:** Our strategy involves engaging with stakeholders to better understand how the risks and opportunities are beginning to manifest themselves in the everyday operations of our factories and how best we might deal with them. We have also appointed an external climate consultancy to undertake a thorough risks and opportunities assessment to ensure that we align with regulatory requirements and can, at the same time, de-risk our business. **Risk management:** Each business has been asked to identify risks and opportunities associated with climate change within their areas and these are then collated and considered centrally to ensure a complete and uniform approach to risk and opportunities management. **Metrics and targets:** Carclo is a relatively large user of energy, with its associated climate connotations. We have appointed an external climate consultancy to define appropriate metrics and targets for each area of the Group to help meet climate obligations. The Board, through the governance structure that has been set up, will review the consultancy’s work and seek to implement their recommendations to significantly improve our intensity ratios over a period of time.

Risks	**Mitigation**
8. Future global pandemics	
Change: unchanged	
The COVID-19 pandemic was an unexpected shock to the global economy and economic activity was suppressed globally. Differing approaches taken by different governments in response to virus mutations, outbreaks and waves, including lockdowns and shutting non-critical industry, created huge disruption to globalised supply chains. In the event of a further global pandemic or a resurgence of a more serious variant of COVID-19 there may be a risk to customer demand, supplier continuity and our own capability to deliver, meaning the Group needs to adapt to continually changing circumstances and be ready to respond at short notice. Despite the potential for increased demand from our life science customers, changing working practices and shutdowns would again have an impact on operational efficiency which would likely adversely affect profitability. During the pandemic the Group’s Aerospace division witnessed a significant reduction in customers’ aircraft newbuild programmes and a similar impact would be expected should a future global pandemic arise. In the event of any future pandemic the welfare of our employees would continue to be our top priority and we now feel better placed than previously to swiftly adopt new secure working practices,	Whilst there is nothing specific that can be done to prevent a future global pandemic at a Company level, Carclo has learned how to continue to work, albeit at a reduced output, during the COVID-19 pandemic and is now far better placed to deal with a future pandemic than was the case in early 2020. Home working, where possible, segregation of factory operatives, self-checking for symptoms and a higher level of stock items have all been found to be mitigants in reducing the overall impact of any outbreak, notwithstanding that the health and safety of our workforce is paramount.

including home-based working, if required by government protocols.	

Consolidated income statement
for the year ended 31 March 2024

	Notes	**2024 £000**	2023 £000
Continuing operations:			
Revenue	*4*	**132,672**	143,445
Underlying operating profit		**6,647**	5,939
Exceptional items	*5*	**(4,857)**	(4,710)
Operating profit	*4*	**1,790**	1,229
Finance revenue	*6*	**424**	218
Finance expense	*6*	**(6,011)**	(3,967)
Loss before tax		**(3,797)**	(2,520)
Income tax credit / (expense)	*7*	**498**	(1,437)
Loss for the period		**(3,299)**	(3,957)
Attributable to:			
Equity holders of the Company Non-controlling interests		**(3,299)**	(3,957)
		(3,299)	(3,957)
Loss per ordinary share	*8*		
Basic		**(4.5)p**	(5.4)
Diluted		**(4.5)p**	(5.4)

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

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

Consolidated statement of financial position
as at 31 March 2024

	Notes	**2024 £000**	2023 £000
Non-current assets			
Intangible assets	*10*	**22,197**	23,463
Property, plant and equipment	*11*	**40,071**	45,321
Deferred tax assets		**864**	1,185
Total non-current assets		**63,132**	69,969
Current assets			
Inventories		**11,289**	15,203
Contract assets		**1,663**	5,763
Trade and other receivables		**18,800**	21,383
Cash and cash deposits		**5,974**	10,354
Current tax assets		**82**	-
Total current assets		**37,808**	52,703
Total assets		**100,940**	122,672
Current liabilities			
Loans and borrowings	*12*	**6,753**	5,046
Trade payables		**10,005**	13,085
Other payables		**7,485**	8,323
Current tax liabilities		**564**	372
Contract Liabilities		**2,998**	4,689
Provisions		**721**	473
Current liabilities		**28,526**	31,988
Non-current liabilities			
Loans and borrowings	*12*	**28,678**	39,668
Deferred tax liabilities		**2,890**	4,917
Retirement obligations	*13*	**37,186**	34,493
Total non-current liabilities		**68,754**	79,078
Total liabilities		**97,280**	111,066
Net assets		**3,660**	11,606
Equity			
Ordinary share capital issued	*14*	**3,671**	3,671
Share premium		**7,359**	7,359
Translation reserve		**7,221**	9,243
Retained earnings		**(14,565)**	(8,641)
Total equity attributable to equity holders of the Company		**3,686**	11,632
Non-controlling interests		**(26)**	(26)
Total equity		**3,660**	11,606

Approved by the Board of Directors on 17 July 2024.

Consolidated statement of changes in equity
for the year ended 31 March 2024

	Attributable to equity holders of the Company						
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total equity £000
Balance at 1 April 2022	3,671	7,359	7,486	5,926	24,442	(26)	24,416
Loss for the year	-	-	-	(3,957)	(3,957)	-	(3,957)
Other comprehensive income / (expense):							
Foreign exchange translation differences	-	-	1,129	-	1,129	-	1,129
Net investment hedge	-	-	818	-	818	-	818
Remeasurement losses on defined benefit scheme	-	-	-	(10,577)	(10,577)	-	(10,577)
Taxation on items above	-	-	(190)	-	(190)	-	(190)
Total comprehensive income / (expense) for the period	-	-	1,757	(14,534)	(12,777)	-	(12,777)
Transactions with owners recorded directly in equity							
Share-based payments	-	-	-	(33)	(33)	-	(33)
Taxation on items recorded directly in equity	-	-	-	-	-	-	-
Balance at 31 March 2023	3,671	7,359	9,243	(8,641)	11,632	(26)	11,606
Balance at 1 April 2023	**3,671**	**7,359**	**9,243**	**(8,641)**	**11,632**	**(26)**	**11,606**
Loss for the year	**-**	**-**	**-**	**(3,299)**	**(3,299)**	**-**	**(3,299)**
Other comprehensive (expense) / income:							
Foreign exchange translation differences	**-**	**-**	**(2,387)**	**-**	**(2,387)**	**-**	**(2,387)**
Net investment hedge	**-**	**-**	**332**	**-**	**332**	**-**	**332**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**(2,668)**	**(2,668)**	**-**	**(2,668)**
Taxation on items above	**-**	**-**	**33**	**-**	**33**	**-**	**33**
Total comprehensive expense for the period	**-**	**-**	**(2,022)**	**(5,967)**	**(7,989)**	**-**	**(7,989)**
Transactions with owners recorded directly in equity:							
Share-based payments	**-**	**-**	**-**	**43**	**43**	**-**	**43**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2024	**3,671**	**7,359**	**7,221**	**(14,565)**	**3,686**	**(26)**	**3,660**

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

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

Notes on the preliminary statement

1. **Basis of preparation**

The financial statements included in this preliminary announcement have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority, and the principles of UK-adopted international accounting standards, but do not comply with the full disclosure requirements of these standards. The financial information for the year ended 31 March 2023 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditor reported on those financial statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The financial information has been prepared on a going concern basis under the historic cost convention basis except that derivative financial instruments, share options and defined benefit pension plan assets are stated at their fair value.

The unaudited financial information contained in this announcement does not constitute the statutory financial statements of the Group as at, and for the year ended 31 March 2024, but is derived from those financial statements, which have been prepared in accordance with UK-adopted international accounting standards. The financial statements themselves will be approved by the Board of Directors and reported on by the auditor and then subsequently delivered to the Registrar of Companies. The Group expects to publish full consolidated statements before the end of July 2024. Accordingly, the financial information for FY24 is presented as unaudited in this announcement.

The financial statements are prepared on the going concern basis.

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

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

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

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

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

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

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

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

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

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

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that the Group will continue to operate within the facilities available and will be able to adhere to the covenant tests to which it is subject throughout at least the twelve-month period from the date of signing the financial statements.

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

Directors' liability

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

Responsibility statement of the Directors in respect of the annual report

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

the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

2. Accounting policies

The accounting policies set out in the last published financial statements for the year to 31 March 2023 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 2023. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2023:

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Material Judgements (Amendment): Disclosure of accounting policies (effective date 1 January 2023);

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of accounting estimates (effective date 1 January 2023); and

IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023).

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting period beginning on or after 1 April 2024. The Group has elected not to early adopt these standards which are described below.

IAS 1 Presentation of Financial Statements (Amendment): Classification of liabilities as current or non-current (effective 1 January 2024).
IFRS 16 Leases (Amendment): Lease liability in a sale and leaseback; and

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments (Disclosures) (Amendments): Supplier Finance Arrangements (effective 1 January 2024).

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

There are no other IFRS or IFRIC interpretations which are endorsed by the UK Endorsement Board, that are not yet effective, that would be expected to have a material impact on the Group.

3. Accounting estimates and judgements

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

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

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

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

Going concern

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

Key judgements

Management has exercised judgement over the likelihood of the Group being able to continue to operate within its available facilities and in accordance with its covenants for at least twelve months from the date of signing these financial statements. Judgement has been applied over forecast profit, debt levels and interest rates, particularly base rates. This determines whether the Group should operate the going concern basis of preparation for these financial statements.

Impairment of assets

Note 10 contains information about management's estimates of the recoverable amount of cash generating units and their risk factors.

Key judgements

Management has exercised judgement over the underlying assumptions within the valuation models and has applied judgement to determine the Group's cash generating units to which goodwill is allocated and against which impairment testing is performed. These are key factors in their assessment of whether there is any impairment in related goodwill or other assets. Goodwill at 31 March 2024 amounts to £22.0m (2023: £23.0m)

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

Key sources of estimation uncertainty

The Group tests whether goodwill has suffered any impairment and considers whether there is any indication of impairment either of this or other assets on an annual basis. As set out in more detail in notes 10 and 11, the recoverable amounts may be based on either value-in-use calculations or fair value less costs of disposal considerations. The former requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the future cash flows, the latter method requires the estimation of fair value.

Details of the sensitivity of assumptions is included in note 10.

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 2024 amounts to £37.2m (31 March 2023: £34.5m).

Key sources of estimation uncertainty

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

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

Lease

The Annual Report and Accounts contains information about imputed interest rates and lease break options.

Key judgement

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

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

Revenue recognition

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

Key judgements

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

Key sources of estimation uncertainty

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

Recognition of deferred tax assets

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, with the exception of a £0.3m deferred tax asset which is available to offset against a deferred tax liability of £0.3m arising on historic property revaluations (2023: £0.3m), no UK deferred tax assets have been recognised at period end.

Classification of exceptional items

Note 5 contains information about items classified as exceptional.

Key judgements

Management has exercised judgement over whether items are exceptional as set out in the Group's accounting policy.

Expected credit losses

The allowance for expected credit losses (“ECLs”) is calculated on a customer-by-customer basis, using a combination of internally and externally sourced information, including expected future default levels and future predicted cash collection levels.

Key sources of estimation uncertainty

Management has applied judgement when setting expectations, these are derived from past defaults/trends and future projections.

Provisions

On 14 February 2024, the Group announced the strategic consolidation and closure of its Tucson, Arizona, USA facility, due to be completed by September 2024.

Key judgements

Management has applied judgement when determining what provisions to recognise at 31 March 2024 for costs directly arising from the planned closure, where an obligation exists at that date. Management has also used judgement to assess whether there is any impairment of assets at the facility as a result of the intended closure (see impairment of assets above).

Key sources of estimation uncertainty

Provision for employee redundancy and dilapidation costs of the leased properties at Tucson, totalling £0.7m have been estimated at 31 March 2024. Provisions recognised are management's best estimate of the cost that will be required to settle the Group's obligation at a future date. Advice has been sought from a third party who has provided an estimate of the cost to make-good the properties prior to exit, however until the final cost is agreed with the lessor, this remains an estimate. Following closure, any unused provision will be released back to exceptional items as a credit in FY25.

4. Segment reporting

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

The CTP segment supplies value-adding engineered solutions from mould design, automation, and production to assembly and printing for the life science, optical and precision component industries. This business operates internationally in a fast-growing and dynamic market underpinned by rapid technological development.

The Aerospace segment delivers precise and durable components for the safety and performance of aircraft to manufacturing and aerospace industries.

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

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

Analysis by business segment

The segment results for the year ended 31 March 2024 were as follows:

	CTP (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Group total £000
Consolidated income statement				
Continuing operations				
External revenue	**125,044**	**7,628**	**-**	**132,672**
External expenses	**(115,627)**	**(5,929)**	**(4,469)**	**(126,025)**
Underlying operating profit / (loss)	**9,417**	**1,699**	**(4,469)**	**6,647**
Exceptional operating items	**(3,259)**	**(50)**	**(1,548)**	**(4,857)**
Operating profit / (loss)	**6,158**	**1,649**	**(6,017)**	**1,790**
Net finance expense				**(5,587)**
Income tax credit				**498**
Loss for the period				**(3,299)**
Consolidated statement of financial position				
Segment assets	**93,160**	**6,095**	**1,685**	**100,940**
Segment liabilities	**(31,728)**	**(1,739)**	**(63,813)**	**(97,280)**
Net assets	**61,432**	**4,356**	**(62,128)**	**3,660**
Other segmental information				
Capital expenditure on property, plant and equipment	**6,736**	**585**	**166**	**7,487**
Capital expenditure on computer software	**-**	**-**	**95**	**95**
Depreciation	**7,454**	**223**	**92**	**7,769**
Impairment of property, plant and equipment	**1,892**	**-**	**-**	**1,892**
Amortisation of computer software	**31**	**-**	**70**	**101**
Amortisation of other intangibles	**62**	**-**	**-**	**62**

The segment results for the year ended 31 March 2023 were as follows:

	CTP (continuing) £000	Aerospace (continuing) £000	Central (continuing) £000	Group total £000
Consolidated income statement				
External revenue	136,814	6,631	-	143,445
Expenses	(129,493)	(5,111)	(2,902)	(137,506)
Underlying operating profit / (loss)	7,321	1,520	(2,902)	5,939
Exceptional operating items	(2,752)	-	(1,958)	(4,710)
Operating profit / (loss)	4,569	1,520	(4,860)	1,229
Net finance expense				(3,749)
Income tax expense				(1,437)
Loss for the period				(3,957)
Consolidated statement of financial position				
Segment assets	114,231	5,886	2,555	122,672
Segment liabilities	(40,000)	(1,198)	(69,868)	(111,066)
Net assets	74,231	4,688	(67,313)	11,606
Other segmental information				
Capital expenditure on property, plant and equipment	5,474	287	49	5,810
Capital expenditure on computer software	36	-	-	36
Capital expenditure on other intangibles	68	-	-	68
Depreciation	7,516	223	76	7,815
Impairment of property, plant and equipment	783	-	-	783
Amortisation of computer software	43	-	101	144
Amortisation of other intangibles	67	-	-	67
Impairment of intangible fixed assets	208	-	-	208

Analysis by geographical segment

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

	External revenue		**Net segment (liabilities)/ assets**		**Expenditure on tangible and intangible fixed assets**	
	2024 £000	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000
United Kingdom	**10,084**	14,157	**(39,006)**	(40,329)	**1,980**	1,923
North America	**68,474**	70,955	**21,846**	27,909	**4,867**	3,204
Rest of world	**54,114**	58,333	**20,820**	24,026	**735**	787
	132,672	143,445	**3,660**	11,606	**7,582**	5,914

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

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

The material components of the Central assets and liabilities are retirement benefit obligation net liabilities of £37.2m (2023: £34.5m), and net borrowings of £24.3m (2023: £31.3m).

One CTP customer accounted for 41.1% (2023: 28.4%) and another customer for 13.3% (2023:10.5%) of Group revenues from continuing operations and similar proportions of trade receivables.

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

Deferred tax assets by geographical location are as follows: United Kingdom £nil (2023: £0.3m), North America £0.8m (2023: £0.8m), rest of world £0.1m (2023: £0.1m).

Total non-current assets by geographical location are as follows: United Kingdom £20.6m (2023: £22.6m), North America £26.3m (2023: £28.8m), rest of world £16.2m (2023: £18.6m).

5. Exceptional items

	2024 £000	2023 £000
Continuing operations		
Rationalisation costs	**(3,360)**	(2,648)
Past service cost in respect to retirement benefits	**(1,020)**	-
Refinancing costs	**(433)**	(756)
Net costs arising from cancellation of future supply agreement	**(188)**	(877)
Settlement / (costs) in respect to legacy claims	**284**	(302)
Doubtful debt and related inventory provision	**(140)**	(896)
Credit arising on the disposal of surplus properties	**-**	769
	(4,857)	(4,710)

Rationalisation costs from continuing operations during the period relate to the restructuring and rationalisation of the Group. Costs are mostly relating to the announced Tucson, Arizona, USA facility closure and the now closed Derry, NH, USA manufacturing site as well as some other Central employee-related costs. These include a combination of employee redundancy costs, site closure provisions and asset impairment costs. Prior year costs were similar in nature, being a mixture of employee rationalisation and asset impairment costs arising from the decision that the Derry manufacturing site would be closed in the year to 31 March 2024.

During the year, the trustees of the Carclo Group Pension Scheme identified that a group of members required an adjustment to their benefits in respect of the requirement to provide equal benefits to males and females following the Barber judgment in 1990. In summary, the adjustment consisted of decreasing the normal retirement age from 65 to 60 for some members' benefits for some elements of service after 17 May 1990. This has resulted in additional liabilities in the Scheme which have been accounted for as a £1.0m past service cost in the income statement (approximately 0.8% of liabilities).

Refinancing costs of £0.4m are legal and professional costs incurred to ensure compliance with the Group's principal bank refinancing arrangement which resulted in the amendment deed signed 17 July 2023, as well as other Group refinancing-related activities in respect to the Group's commitment to seek alternative sources of bank financing.

£0.2m net costs arising from cancellation of future supply agreement relate to the OEM customer who gave notice in December 2022. This includes £0.9m asset impairment (see note 10), £0.2m loss on disposal of other related ancillary equipment, less £0.7m being a credit recognised in the current year for final settlement received.

During the year to 31 March 2024, the Group received notice from its third-party advisor that there would be no obligation on Carclo plc to make payment to settle two of the health-related claims that had been provided for in the prior year. As such, the provision held at that date, £0.3m, has been released back to exceptional items.

In the prior year, a customer of the CTP division provided notice that it would be ceasing to operate. Provision was made at the time for amounts not expected to be recovered through credit insurance. A further £0.1m provision for inventory has been charged in the current year, as it is not now expected to be recovered.

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

6. Net Finance expense

	2024 £000	2023 £000
The expense recognised in the consolidated income statement comprises:		
Interest receivable on cash and cash deposits	**424**	218
Interest payable on bank loans and overdrafts	**(3,141)**	(2,569)
Lease interest	**(1,042)**	(674)
Other interest	**(2)**	(59)
Interest on the net defined benefit pension liability	**(1,826)**	(665)
Finance expense	**(5,587)**	(3,749)

7. Income tax credit / (expense)

The credit / (expense) recognised in the consolidated income statement comprises:

	2024 £000	2023 £000
United Kingdom corporation tax		
Adjustments for prior years	**(22)**	(18)
Overseas taxation:		
Current tax	**(942)**	(1,462)
Adjustments for prior years	**(211)**	110
Total current tax net expense	**(1,175)**	(1,370)
Deferred tax credit / (expense)		
Origination and reversal of temporary differences:		
Deferred tax	**1,419**	(20)
Adjustments for prior years	**193**	17
Rate Change	**61**	(64)
Total deferred tax credit / (expense)	**1,673**	(67)
Total income tax credit / (expense) recognised in the consolidated income statement	**498**	(1,437)

Reconciliation of tax (credit) / expense for the year

The Group has reported an effective tax rate for the period of 14.1% which is below the standard rate of UK corporation tax of 25% (2023: 19%). The differences are explained as follows:

	£000	**2024 %**	£000	2023 %
Loss before tax	**(3,797)**		(2,520)	
Income tax using standard rate of UK corporation tax of 25% (FY22/23: 19%)	**(949)**	**25.0**	(479)	19.0
Expenses not deductible for tax purposes	**166**	**(4.4)**	128	(5.1)
Income not taxable	**(114)**	**3.0**	(125)	5.0
Adjustments in respect of overseas tax rates	**(157)**	**4.1**	155	(6.2)
Derecognition / (recognition) of deferred tax asset previously recognised / (unrecognised)	**-**	**-**	669	(26.5)
Unprovided deferred tax movement	**732**	**(19.3)**	982	(39.0)
Adjustment to current tax in respect of prior periods (UK and overseas)	**232**	**(6.1)**	(92)	3.7
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**(193)**	**5.1**	(17)	(0.7)
Foreign taxes expensed in the UK	**(54)**	**1.4**	210	(8.3)
Rate change on deferred tax	**(61)**	**1.6**	64	(2.5)
Foreign exchange currency loss	**(100)**	**2.6**	(58)	2.3
Total income tax (credit) / expense	**(498)**	**13.1**	1,437	(57.0)

Tax on items credited / (charged) outside of the consolidated income statement:

	2024 **£000**	2023 £000
Recognised in other comprehensive income:		
Foreign exchange movements	**33**	(190)
Total income tax credited / (charged) to other comprehensive income	**33**	(190)

8. (Loss) / earnings per share

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

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

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

	2024 **£000**	2023 £000
Loss after tax	**(3,299)**	(3,957)
Loss attributable to non-controlling interests	**-**	-
Loss after tax, attributable to equity holders of the parent	**(3,299)**	(3,957)

	2024 **Shares**	2023 Shares
Weighted average number of ordinary shares in the year	**73,419,193**	73,419,193
Effect of dilutive share options in issue[1]	**15,974**	15,974
Weighted average number of ordinary shares (diluted) in the year for loss per share calculation	**73,435,167**	73,435,167
Effect of dilutive share options in issue	**817,049**	-
Weighted average number of ordinary shares (diluted) in the year for underlying earnings per share calculation	**74,252,216**	73,435,167

[1]There are 15,974 vested share options outstanding that are yet to be issued. 817,049 of the share options granted on 21 September 2023 have been excluded from the calculation of weighted average number of dilutive earnings per share in the current year as they are anti-dilutive. These options could potentially dilute earnings per share in the future.

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

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

	2024 £000	2023 £000
Loss after tax, attributable to equity holders of the parent	**(3,299)**	(3,957)
Continuing operations:		
Exceptional – rationalisation and restructuring costs, net of tax	**2,690**	2,314
Exceptional - past service cost in respect to retirement benefits, net of tax	**1,020**	-
Exceptional - refinancing costs, net of tax	**433**	756
Exceptional - net costs arising from cancellation of future supply agreement, net of tax	**146**	752
Exceptional – (settlement) / costs in respect to legacy claims, net of tax	**(284)**	302
Exceptional - doubtful debt and related inventory provision, net of tax	**109**	673
Exceptional - credit arising on the disposal of surplus properties, net of tax	**-**	(578)
Profit after tax but before exceptional items, attributable to equity holders of the parent	**815**	262
Underlying operating profit	**6,647**	5,939
Finance revenue	**424**	218
Finance expense	**(6,011)**	(3,967)
Income tax expense	**(245)**	(1,928)
Profit after tax but before exceptional items – continuing operations	**815**	262

The following table summarises the (loss) / earnings per share figures based on the above data:

	2024 Pence	2023 Pence
Basic loss per share	**(4.5)**	(5.4)
Diluted loss per share	**(4.5)**	(5.4)
Underlying earnings per share – basic	**1.1**	0.4
Underlying earnings per share – diluted	**1.1**	0.4

9. Dividends paid and proposed

The Directors are not proposing a final dividend for the year ended 31 March 2024 (31 March 2023: £nil). Under the terms of the amended and restated bank facilities agreement, the Group is not permitted to make a dividend payment to shareholders up to the period ending 31 December 2025.

10. Intangible assets

	Goodwill £'000	Patents and development costs £'000	Customer-related intangibles £000	Computer Software £000	Total £000
Cost					
Balance at 31 March 2022	23,094	16,734	553	1,899	42,280
Additions	-	68	-	36	104
Disposals	-	-	-	(14)	(14)
Effect of movements in foreign exchange	1,005	-	35	31	1,071
Balance at 31 March 2023	24,099	16,802	588	1,952	43,441
Additions	**-**	**-**	**-**	**95**	**95**
Disposals	**-**	**-**	**-**	**(356)**	**(356)**
Effect of movements in foreign exchange	**(968)**	**-**	**-**	**(10)**	**(978)**
Balance at 31 March 2024	**23,131**	**16,802**	**588**	**1,681**	**42,202**
Amortisation					
Balance at 31 March 2022	1,130	16,734	302	1,400	19,566
Amortisation for the year	-	6	61	144	211
Impairment	-	-	208	-	208
Effect of movements in foreign exchange	(41)	-	17	17	(7)
Balance at 31 March 2023	1,089	16,740	588	1,561	19,978
Amortisation for the year	**-**	**62**	**-**	**101**	**163**
Disposal	**-**	**-**	**-**	**(144)**	**(144)**
Effect of movements in foreign exchange	**15**	**-**	**-**	**(7)**	**8**
Balance at 31 March 2024	**1,104**	**16,802**	**588**	**1,511**	**20,005**
Carrying amounts					
At 1 April 2022	21,964	-	251	499	22,714
At 31 March 2023	23,010	62	-	391	23,463
At 31 March 2024	**22,027**	**-**	**-**	**170**	**22,197**

The Group has incurred research and development costs of £0.2m (2023: £0.2m) which have been included within operating expenses in the consolidated income statement.

In the prior year, a customer-related intangible asset that had been recognised on acquisition of the US Derry, NH, USA facility, was fully impaired as the Group has minimal trading with the customers to which it related. The cost of £0.2m was recognised as an exceptional item in that year.

Impairment tests for cash generating units containing goodwill

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

The carrying value of goodwill at 31 March 2024 and 31 March 2023 is allocated wholly to the CTP cash generating unit as follows

	2024 **£000**	2023 £000
CTP	**22,027**	23,010

At 31 March 2024, the recoverable amount of the CTP cash generating unit was determined on a calculation of value in use, being the higher of that and fair value less costs of disposal ("FVLCD"). The recoverable amount calculated exceeds the carrying amount of the CTP CGU by £8.9m. The results of each produced the same answer, that there is no impairment of goodwill.

The value in use calculations use cash flow projections based upon financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using estimated growth rates of between 1.5% and 4.3% (2023: 2.0% and 4.1%) depending upon the market served.

The cash flows were discounted at a weighted average pre-tax discount rate of 16.9% (2023: 9.3% - 10.4%). The discount rate is calculated and reviewed annually and is based on the Group's weighted average cost of capital. Changes in income and expenditure are based on expectations of future changes in the market. Sensitivity testing of the recoverable amount to reasonably possible changes in key assumptions has been performed, including changes in the discount rate and changes in forecast cash flows.

All other assumptions unchanged, a 1.6% (2023: 5.5%) increase in the discount rate to 18.5% (2023: 14.8% - 15.9%), or an 8.1% (2023: 28.8%) decrease in underlying EBIT would reduce the headroom on the CTP CGU to £nil. Should the discount rate increase further than this or the profitability decrease further, then an impairment of the goodwill would be likely.

11. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2022	42,923	72,127	115,050
Additions	1,662	4,148	5,810
Disposals	-	(1,483)	(1,483)
Reclassification to assets held for sale	(153)	-	(153)
Effect of movements in foreign exchange	1,709	1,840	3,549
Balance at 31 March 2023	46,141	76,632	122,773
Additions	**3,623**	**3,864**	**7,487**
Disposals	**(2,047)**	**(2,413)**	**(4,460)**
Effect of movements in foreign exchange	**(1,382)**	**(1,528)**	**(2,910)**
Balance at 31 March 2024	**46,335**	**76,555**	**122,890**
Depreciation and impairment losses			
Balance at 31 March 2022	16,463	51,623	68,086
Depreciation charge for the year	3,596	4,219	7,815
Disposals	-	(999)	(999)
Reclassification to assets held for sale	(89)	-	(89)
Impairment	-	783	783
Effect of movements in foreign exchange	704	1,152	1,856
Balance at 31 March 2023	20,674	56,778	77,452
Depreciation charge for the year	**3,892**	**3,877**	**7,769**
Disposals	**(2,282)**	**(1,472)**	**(3,754)**
Reassessment of lease term	**1,310**	**-**	**1,310**
Impairment	**116**	**1,850**	**1,966**
Reversal of impairment	**-**	**(74)**	**(74)**
Effect of movements in foreign exchange	**(701)**	**(1,149)**	**(1,850)**
Balance at 31 March 2024	**23,009**	**59,810**	**82,819**
Carrying amounts			
At 1 April 2022	26,460	20,504	46,964
At 31 March 2023	25,467	19,854	45,321
At 31 March 2024	**23,326**	**16,745**	**40,071**

At 31 March 2024, properties with a carrying amount of £2.8m were subject to a registered charge in favour of the Group pension scheme (2023: £2.6m) capped at £5.1m.

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

On 14 February 2024, the Group announced the intended closure of its Tucson, Arizona, USA facility. As a result of this decision, it was deemed by management that at 31 March 2024 there was reasonable certainty that the exit options within two of the property leases at that location, would be exercised. As such, the lease liability was remeasured with a corresponding adjustment recognised against the right-of-use assets of £1.3m. Further, an impairment of £0.1m was recognised as an exceptional charge, classified as rationalisation costs in note 5, to impair the properties to value in use to expected closure date.

The impairment to plant and equipment of £1.9m includes £0.9m in respect to assets obtained for production on a leading global OEM customer who in December 2022 gave notice that they would not be proceeding into the production phase of their project. Whilst an impairment of £0.5m was recognised in the prior year, it was decided by management at 30 September 2023 that as the assets remained on balance sheet with no intended use, they should be impaired to recoverable amount, being fair value less costs to dispose. A further impairment was recognised at interim reporting date of £0.9m and there has been no change to this assessment of recoverable amount at 31 March 2024. Also, following the announcement of the intended closure of the Tucson, Arizona, USA facility, management undertook an exercise to determine the recoverable amount of assets located at this site. The assets are a combination of both owned and leased, and recoverable amount has been determined through either fair value less costs of disposal or value in use. As a result of this review, an impairment of £1.0m has been recognised within exceptional items of which £0.6m is in respect to leased assets.

In the prior year, the decision by the Directors of the Group to proceed with a plan of rationalisation of the CTP USA manufacturing footprint led to an impairment review of the Derry, NH, USA site assets and ultimately an impairment charge of £0.3m recognised as an exceptional cost in the prior year. Assets that had been impaired in the year to 31 March 2023 were sold for £0.1m more than their impaired value and as such, £0.1m of the impairment provision has been reversed in the current year and recognised as a credit in exceptional items at 31 March 2024.

FVLCD valuation uses an estimate of the value which would be expected to be received from a third party in a sale of the asset, net of estimated sale costs. This valuation is a level 3 measurement which is based on inputs which are normally unobservable to market participants, including offers received and management's experience of selling similar assets. Refer to note 10 for details of cash flows and assumptions used in value in use calculations.

12. Loans and borrowings

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

	Term loan £000	Revolving credit facility £000	Lease liabilities £000	Other loans £000	Total £000
Balance at 31 March 2022	30,260	3,500	10,870	122	44,752
Changes from financing cashflows					
Drawings on new facilities	-	-	-	359	359
Transaction costs associated with the issue of debt	(500)	-	-	-	(500)
Repayment of borrowings	(1,800)	-	(4,328)	(102)	(6,230)
	(2,300)	-	(4,328)	257	(6,371)
Effect of changes in foreign exchange rates	818	-	373	15	1,206
Liability-related other charges					
Drawings on new facilities	-	-	4,955	-	4,955
Interest expense- presented within exceptional items	69	-	-	-	69
Interest expense – presented within finance expense	103	-	-	-	103
	172	-	4,955	-	5,127
Equity-related other changes	-	-	-	-	-
Balance at 31 March 2023	28,950	3,500	11,870	394	44,714
Changes from financing cashflows					
Drawings on new facilities	**-**	**-**	**-**	**53**	**53**
Transaction costs associated with the issue of debt	**(100)**	**-**	**-**	**-**	**(100)**
Repayment of borrowings	**(5,050)**	**(3,200)**	**(3,659)**	**(132)**	**(12,041)**
	(5,150)	**(3,200)**	**(3,659)**	**(79)**	**(12,088)**
Effect of changes in foreign exchange rates	**(332)**	**-**	**(229)**	**(33)**	**(594)**
Liability-related other changes					
Drawings on new facilities	**-**	**-**	**4,583**	**-**	**4,583**
Reassessment of lease liability	**-**	**-**	**(1,349)**	**-**	**(1,349)**
Termination of facilities	**-**	**-**	**(49)**	**-**	**(49)**
Interest expense – presented within finance expense	**214**	**-**	**-**	**-**	**214**
	214	**-**	**3,185**	**-**	**3,399**
Equity-related other changes	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2024	**23,682**	**300**	**11,167**	**282**	**35,431**

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"), a funded defined benefit pension scheme which provides defined benefits for some of its members. This is a legally separate, trustee-administered fund holding the Scheme's assets to meet long-term pension liabilities for some 2,493 current and past employees as at 31 March 2024.

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

The Scheme provides pensions and lump sums to members on retirement and to their dependants on death. The level of retirement benefit is principally based on final pensionable salary prior to leaving active service and is linked to changes in inflation up to retirement. The defined benefit section is closed to new entrants who instead have the option of entering into the defined contribution section of the Scheme, and the Group has elected to cease future accrual for existing members of the defined benefit section such that members who have not yet retired are entitled to a deferred pension.

The Company currently pays contributions to the Scheme as determined by regular actuarial valuations. The trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

The Scheme is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

A full actuarial valuation was carried out as at 31 March 2021 in accordance with the scheme funding requirements of the Pensions Act 2004. The funding of the Scheme is agreed between the Group and the trustees in line with those requirements. These, in particular, require the surplus or deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions. The 31 March 2021 actuarial valuation showed a deficit of £82.8m. Under the recovery plan agreed with the trustees following the 2021 valuation, the Group agreed that it would aim to eliminate the deficit, over a period of 18 years and 7 months starting from the valuation date and continuing until 31 October 2039, by the payment of annual contributions combined with the assumed asset returns in excess of gilt yields. Contributions paid in respect of the year to 31 March 2023 amounted to £3.9m, £3.5m in respect of the year to 31 March 2024 and are agreed as £3.5m annually thereafter, plus additional contributions of 26% of any surplus of 2024/25 underlying EBITDA over £18.0m payable from 30 June 2025 to 31 May 2026. These contributions include an allowance in respect of the expenses of running the Scheme and the Pension Protection Fund ("PPF") levy of £0.9m in years ending 31 March 2024 and 2025 and £0.6m in the year to 31 March 2026 and beyond.

At each triennial valuation, the schedule of contributions is reviewed and reconsidered between the employer and the trustees; the next review being no later than by 31 July 2025 after the results of the 31 March 2024 triennial valuation are known.

On 14 August 2020, additional security was granted by certain Group companies to the Scheme trustees such that at 31 March 2024 the gross value of the assets secured, which includes applicable intra-group balances, goodwill and investments in subsidiaries at net book value in the relevant component companies' accounts, but which eliminate in the Group upon consolidation, amounted to £207.8m (2023: £240.9m). Excluding the assets which eliminate in the Group upon consolidation, the value of the security was £29.9m (2023: £37.7m).

For the purposes of IAS 19, the results of the actuarial valuation as at 31 March 2021, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2024. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

The Scheme exposes the Group to actuarial risks and the key risks are set out in the table 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 68% of its asset value in liability-driven investments, 30% in a portfolio of diversified growth funds and 2% in cash and liquidity funds. The objective of the growth portfolio is that in combination, the matching credit, liability-driven investments and cash components generate sufficient return to meet the overall portfolio return objective.
Interest rate risk	A decrease in corporate bond yields increases the present value of the IAS 19 defined benefit obligations. A decrease in gilt yields results in a worsening in the Scheme's funding position.	The trustees' investment strategy includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates. Approximately 60% of the Scheme's funded liabilities are currently hedged against interest rates using liability-driven investments. It should be noted that the Scheme hedges interest rate risk on a statutory and long-term funding basis (gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.
Inflation risk	An increase in inflation results in higher benefit increases for members which in turn increases the Scheme's liabilities.	The trustees' investment strategy includes investing in liability-driven investments which will move with inflation expectations with approximately 60% of the Scheme's inflation-linked liabilities being hedged on a funded basis. The growth assets held are expected to provide protection over inflation in the long term.
Mortality risk	An increase in life expectancy leads to benefits being payable for a longer period which results in an increase in the Scheme's liabilities.	The trustees' actuary provides regular updates on mortality, based on scheme experience, and the assumption continues to be reviewed.

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

	2024 **£000**	2023 £000
Present value of funded obligations	**(130,420)**	(134,091)
Fair value of scheme assets	**93,234**	99,598
Recognised liability for defined benefit obligations	**(37,186)**	(34,493)

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

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

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

The cumulative remeasurement net loss reported in the statement of comprehensive income since 1 April 2004 is £54.101m.

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

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

	2024 £000	2023 £000
Net liability for defined benefit obligations at the start of the year	**(34,493)**	(25,979)
Contributions paid	**3,500**	4,142
Net expense recognised in the consolidated income statement (see below)	**(3,525)**	(2,079)
Remeasurement losses recognised in other comprehensive income	**(2,668)**	(10,577)
Net liability for defined benefit obligations at the end of the year	**(37,186)**	(34,493)

Movements in the present value of defined benefit obligations:

	2024 £000	2023 £000
Defined benefit obligation at the start of the year	**134,091**	181,759
Interest expense	**6,615**	4,750
Actuarial loss due to scheme experience	**1,308**	4,897
Actuarial gains due to changes in demographic assumptions	**(2,187)**	(7,539)
Actuarial loss / (gains) due to changes in financial assumptions	**585**	(38,032)
Benefits paid	**(11,012)**	(11,744)
Past service cost (see note 5)	**1,020**	-
Defined benefit obligation at the end of the year	**130,420**	134,091

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

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

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

In the year to 31 March 2020 the trustees commissioned scheme-specific calculations to determine the likely impact of the ruling on the Scheme. An allowance for the impact of GMP equalisation was included within the accounting figures for that year, increasing liabilities by 1.68%, thereby resulting past service cost of £3.6m was recognised in the income statement at that time. The Scheme has not yet implemented GMP equalisation and therefore the allowance made in 2019 has been maintained for accounting disclosures.

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

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

During the year to 31 March 2024, the trustees of the Scheme identified that a group of members required an adjustment to their benefits in respect of the requirement to provide equal benefits to males and females following the Barber judgement in 1990. In summary, the adjustment consisted of decreasing the normal retirement age from 65 to 60 for some members' benefits, for some elements of service after 17 May 1990. This has resulted in additional liabilities in the Scheme which have been accounted for as a £1.0m past service cost in the income statement, recognised as an exceptional cost (approximately 0.8% of liabilities).

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

	2024 %	2023 %
Active	**-**	-
Deferred	**28**	29
Pensioners	**72**	71
	100	100

Movements in the fair value of Scheme assets:

	2024 £000	2023 £000
Fair value of Scheme assets at the start of the year	**99,598**	155,780
Interest income	**4,789**	4,085
Loss on Scheme assets excluding interest income	**(2,962)**	(51,251)
Contributions by employer	**3,500**	4,142
Benefits paid	**(11,012)**	(11,744)
Expenses paid	**(679)**	(1,414)
Fair value of Scheme assets at the end of the year	**93,234**	99,598
Actual gain / (loss) on Scheme assets	**1,827**	(47,166)

The fair value of Scheme asset investments was as follows:

	2024 £000	2023 £000
Diversified growth funds	**27,484**	28,463
Bonds and liability-driven investment funds	**63,777**	68,365
Cash and liquidity funds	**1,973**	2,770
Total assets	**93,234**	99,598

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

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

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

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

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

The net expense recognised in the consolidated income statement was as follows:

	2024 £000	2023 £000
Past service cost	**1,020**	-
Net interest on the net defined benefit liability	**1,826**	665
Scheme administration expenses	**679**	1,414
	3,525	2,079

The net expense recognised in the following line items in the consolidated income statement:

	2024	2023
	£000	£000
Charged to operating profit	**662**	1,242
Charged to exceptional items	**1,037**	172
Other finance revenue and expense – net interest on the net defined benefit liability	**1,826**	665
	3,525	2,079

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

	2024	2023
	%	%
Discount rate at 31 March	**4.85**	4.90
Future salary increases	**N/A**	N/A
Inflation (RPI) (non-pensioner)	**3.30**	3.25
Inflation (CPI) (non-pensioner)	**2.80**	2.75
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.30**	3.25
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	**2.80**	2.75
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.05**	2.90
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.15**	2.00
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.75**	3.80
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.30**	4.35

The mortality assumptions adopted at 31 March 2024 are 165% of each of the standard tables S3PMA/S3PFA (2023: 165% of S3PMA/S3PFA respectively), year of birth, no age rating for males and females, projected using CMI_2022 (2023: CMI_2021) converging to 1.0% p.a. (2023: 1.0%) with a smoothing parameter 7.0% (2023: 7.0%).

It is recognised that the Core CMI_2022 model is likely to represent an overly cautious view of experience in the near term. As a result, management has applied judgement and has adopted additional weightings of 10% above the core parameters for 2020, 2021 and 2022 data (2023: 10% of 2020 and 2021 data) to represent possible future trend as a best estimate. This will be kept under review in the future. These assumptions imply the following life expectancies:

	2024	2023
Life expectancy for a male (current pensioner) aged 65	**17.4 years**	17.8 years
Life expectancy for a female (current pensioner) aged 65	**20.1 years**	20.4 years
Life expectancy at 65 for a male aged 45	**18.3 years**	18.7 years
Life expectancy at 65 for a female aged 45	**21.2 years**	21.6 years

It is assumed that 75% of the post A-Day maximum for active and deferred members will be commuted for cash (2023: 75%).

Pension Increase Exchange take-up was estimated to be 40% on implementation in the year ended 31 March 2022; there has been no change made to this assumption nor to the 2021 bridging pension option take-up of 40%.

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

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

	2024 %	**2024 £000**	2023 %	2023 £000
Discount rate [1]				
Increase of 0.25% per annum	**(2.45%)**	**(3,194)**	(2.41%)	(3,228)
Decrease of 0.25% per annum	**2.56%**	**3,334**	2.51%	3,365
Decrease of 1.0% per annum	**10.93%**	**14,253**	10.71%	14,363
Inflation [2]				
Increase of 0.25% per annum	**0.81%**	**1,057**	0.64%	853
Increase of 1.0% per annum	**3.09%**	**4,032**	2.77%	3,711
Decrease of 1.0% per annum	**(2.86%)**	**(3,730)**	(2.61%)	(3,499)
Life expectancy				
Increase of 1 year	**4.25%**	**5,545**	4.30%	5,765

Notes: (1) At 31 March 2024, the assumed discount rate is 4.85% (2023: 4.90%).

(2) At 31 March 2024, the assumed rate of RPI inflation is 3.30% and CPI inflation 2.80% (2023: RPI 3.25% and CPI 2.75%).

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases.

The weighted average duration of the defined benefit obligation at 31 March 2024 is ten years (31 March 2023: twelve years).

The life expectancy assumption at 31 March 2024 is based upon increasing the age rating assumption by one year (31 March 2023: one year).

Other than those specifically mentioned above, there were no changes in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

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

	2024 £000	2023 £000
Present value of funded obligation	**(130,420)**	(134,091)
Fair value of Scheme asset investments	**93,234**	99,598
Recognised liability for defined benefit obligations	**(37,186)**	(34,493)
Actual gain / (loss) on Scheme assets	**1,827**	(47,166)
Actuarial gain due to changes in demographic assumptions	**2,187**	7,539
Actuarial (loss) / gains due to changes in financial assumptions	**(585)**	38,032

14. Ordinary share capital

Ordinary shares of 5 pence each:

	Number of shares	£000
Issued and fully paid at 31 March 2023	73,419,193	3,671
Issued and fully paid at 31 March 2024	**73,419,193**	**3,671**

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

There are 4,606,957 potential share options outstanding under the performance share plan at 31 March 2024 (2023: 2,857,752). No options vested during the year to 31 March 2024 (2023: nil).

15. Cash generated from operations

	2024 **£000**	2023 £000
Loss for the year	**(3,299)**	(3,957)
Adjustments for:		
Pension scheme contributions net of costs settled by the Company	**(2,972)**	(3,287)
Pension scheme costs settled by the Scheme	**151**	559
Depreciation charge	**7,769**	7,815
Amortisation charge	**163**	211
Exceptional rationalisation costs	**2,212**	1,235
Exceptional past service cost in respect to retirement benefits	**1,020**	-
Exceptional refinancing costs	**125**	69
Exceptional costs arising from cancellation of future supply agreement	**1,034**	751
Exceptional costs in respect to legacy claims	**(283)**	302
Exceptional doubtful debt and related inventory provision	**140**	896
Exceptional profit on disposal of surplus property	**-**	(769)
Profit on disposal of other plant and equipment	**(17)**	-
Loss on disposal of intangible non-current assets	**-**	14
Share-based payment charge / (credit)	**43**	(33)
Cash flow relating to onerous lease	**(177)**	-
Financial income	**(424)**	(218)
Financial expense	**6,011**	3,967
Taxation expense	**(498)**	1,437
Operating cash flow before changes in working capital	**10,998**	8,992
Changes in working capital		
Decrease in inventories	**3,427**	1,539
Decrease in contract assets	**3,985**	2,388
Decease / (Increase) in trade and other receivables	**2,128**	(1,656)
Decrease in trade and other payables	**(3,294)**	(943)
Decrease in contract liabilities	**(1,629)**	(2,542)
Cash generated from operations	**15,615**	7,778

16. Post balance sheet events

Notice was given to the landlord on 12 April 2024 that the company would exercise the break option to exit the leased buildings at Tucson, Arizona, USA on 1 October 2025 following the decision to close the facility at Tucson. The reduction in the lease liability of £1.3m has been reflected in the balance sheet at 31 March 2024 as the company was certain to exit on closure, see note 11.

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

Information for shareholders

Reconciliation of non-GAAP financial measures

Continuing operations:	Notes	**2024 £000**	2023 £000
Statutory loss after tax		**(3,299)**	(3,957)
(Less) / add back: Income tax (credit) / expense	*7*	**(498)**	1,437
Loss before tax		**(3,797)**	(2,520)
Add back: Net financing charge	*6*	**5,587**	3,749
Operating profit		**1,790**	1,229
Add back: Exceptional items	*5*	**4,857**	4,710
Underlying operating profit		**6,647**	5,939
Add back: Amortisation of intangible assets	*10*	**163**	211
Underlying earnings before interest, tax and amortisation (“EBITA”)		**6,810**	6,150
Add back: Depreciation of property, plant and equipment	*11*	**7,769**	7,815
Underlying earnings before interest, tax, depreciation and amortisation (“EBITDA”)		**14,579**	13,965
Loss before tax		**(3,797)**	(2,520)
Add back: Exceptional items	*5*	**4,857**	4,710
Underlying profit before tax		**1,060**	2,190
Income tax (credit) / expense	*7*	**(498)**	1,437
Add back: Exceptional tax credit		**743**	491
Group underlying tax expense		**245**	1,928
Group statutory effective tax rate		**13.1%**	(57.0%)
Group underlying effective tax rate		**23.1%**	88.0%
Cash at bank and in hand		**5,974**	10,354
Loans and borrowings - current		**(6,753)**	(5,046)
Loans and borrowings - non-current		**(28,678)**	(39,668)
Net debt		**(29,457)**	(34,360)
Add back: Lease liabilities		**11,167**	11,870
Net debt excluding lease liabilities		**(18,290)**	(22,490)

A reconciliation between the Group's loss to underlying profit used in the numerator in calculating underlying earnings per share can be found in note 8.

Glossary

CASH CONVERSION RATE	Cash generated from operations divided by EBITDA as defined below
COMPOUND ANNUAL GROWTH RATE (“CAGR”)	The geometric progression ratio that provides a constant rate of return over a time period
CONSTANT CURRENCY	Prior year translated at the current year’s average exchange rate. Included to explain the effect of changing exchange rates during volatile times to assist the reader’s understanding
FIXED ASSET UTILISATION RATIO	Revenue from continuing operations divided by tangible fixed assets
GROUP CAPITAL EXPENDITURE	Non-current asset additions
NET BANK INTEREST	Interest receivable on cash at bank less interest payable on bank loans and overdrafts. Reported in this manner due to the global nature of the Group and its banking agreements
NET CASH FLOW	Cash generated from operations, add back pension contributions net of pension administration costs and cash from exceptional items, less total capex and net interest paid
NET DEBT	Cash and cash deposits less loans and borrowings. Used to report the overall financial debt of the Group in a manner that is easy to understand
NET DEBT EXCLUDING LEASE LIABILITIES	Net debt, as defined above, excluding lease liabilities. Used to report the overall non-leasing debt of the Group in a manner that is easy to understand
NET DEBT TO UNDERLYING EBITDA RATIO	Ratio of net debt as defined above to underlying EBITDA as defined below
EBIT	Profit before interest and tax
EBITDA	Profit before interest, tax, depreciation and amortisation
UNDERLYING	Adjusted to exclude all exceptional items
UNDERLYING EBIT	Profit before interest and tax, adjusted to exclude all exceptional items
UNDERLYING EBITDA	Profit before interest, tax, depreciation and amortisation adjusted to exclude all exceptional items
UNDERLYING EARNINGS PER SHARE	Earnings per share adjusted to exclude all exceptional items
UNDERLYING OPERATING PROFIT	Operating profit adjusted to exclude all exceptional items
UNDERLYING PROFIT BEFORE TAX	Profit before tax adjusted to exclude all exceptional items
OPERATIONAL GEARING	Ratio of fixed overheads to revenue
RETURN ON REVENUE	Underlying operating profit, as defined above, from continuing operations, as a percentage of revenue from continuing operations
RETURN ON CAPITAL EMPLOYED (“ROCE”)	Underlying operating profit for the Group as a percentage of assets employed, defined as working capital plus tangible assets