Carclo Technical Plastics Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020

Carclo Technical Plastics Limited

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Carclo Technical Plastics Limited
Company Information

Directors
P N Ward
N I B Sanders

Company secretary
A. Wakes (Appointed 04/10/2019)

Registered office
PO Box 88
27 Dewsbury Road
Ossett
West Yorkshire
WF5 9WS

Registration number: 03088344

Solicitor
Addleshaw Goddard
3 Sovereign Square
Sovereign Street
Leeds
LS1 4ER

Banker
HSBC Bank PLC

Auditor
Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Carclo Technical Plastics Limited
Strategic Report for the Year Ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

Principal activities
The company's principal activity during the year was the manufacture and sale of injection moulded plastic components for the medical, optical and electronics industries.

Business model
The company's strategy is to develop new technologies and products to drive future growth on a global scale. The long term strategic intent is to achieve sustainable earnings growth for the company's shareholders whilst providing innovative and effective solutions for our customers.

This will be achieved by these three key tenets.

Innovation -
Identification of the best new technologies and methodologies to generate innovative solutions in order to introduce new products or to improve current production methods.

Manufacturing -
Development of the innovations alongside our existing capabilities to generate solutions and opportunities for our customers.

Customer Service -
Use of the Carclo group's global manufacturing network and scale to match customer requirements leading to maximised earnings for all involved.

Business review and results
Turnover at £27,945,181 increased from the prior year (2019: £23,749,582).
At the year end the company had net assets of £520,414 (2019: net liabilities £1,933,247).

Key performance indicators:
Turnover increased by 17.67% compared to the prior year.
Operating profit margin increased to 9.47% (2019: 3.33%).

The company acquired the business and certain assets of the Optics business on the 20th December 2019 from the administrator of the Wipac business for the sum of £0.25 million.

Future developments
Market demand for Carclo Technical Plastics products within the medical sector has remained strong.
There have been no changes to the entity's target market.
The COVID-19 pandemic is likely to impact our production capability, however there has been an increase in interest of our medical products, which are in medical testing kits.

As the company enters the next financial year, its focus is to improve its operating margins through manufacturing initiatives and subsequent efficiency improvements.

Principal risks and uncertainties
The major business risk is from the demands of the customer base for sourcing from low-cost regions. Although we are generally successful in ensuring that the customer relocates the work to another Carclo facility, this pressure ultimately results in our business losing the work. The uncertainty over the global economic recovery remains and this continues to promote volatility and insecurity for both the industries and customers served by the company which continues to enhance the risk profile for the business.

COVID-19
The company's main priority has been the safety of our employees and we have complied with all Government recommendations. We have utilised the Government's Furlough scheme and have also had to realign the labour with our forecast demand.

However the company serves, a number of markets, such as medical, which have as yet remained mostly detached from general consumer activity and as such have, to date, been comparatively unaffected by the uncertainty in global demand. However, should these markets be impacted then Carclo has a proven track record of acting swiftly to rebalance the supply base with demand.

The company uses engineering polymers to produce finished products. Polymers are produced from feedstock which is linked to oil and polymer prices which move in response to supply and demand and the underlying cost of feedstock. This potentially introduces volatility in the cost of raw materials. The risk is managed in the main by negotiating pass-through pricing whereby our customer accepts the risk of movements in base polymer prices.

The company's principal energy requirement is for electricity. Energy costs in the UK have remained relatively stable in recent years following their volatility in the latter part of the last decade. To mitigate the risk of price volatility the company is part of a UK corporate pool which enters into fixed tariffs on rolling contracts, typically six months in duration.
This is done in consultation with independent energy consultants.

Principal risks and uncertainties continued
The company has revenues in various currencies and therefore faces a transaction risk as currencies fluctuate.
The company aims to mitigate this risk through a natural hedge whereby sales revenues and costs in each currency are matched as far as practicable.

Political uncertainty such as the impact of Brexit and other overseas trade issues such as US trade tariffs and the current political conflict with Russia can naturally affect decisions by our customers to invest and therefore impact on our trading. We review and assess the impact as more information becomes available and we are engaging with trade associations that are in contact with government. Ultimately the company will be able to trade with the member states and will take guidance on any new trading regulations depending on the outcome of negotiations on the future relationship with the European Union.

IT security and system failure is a major risk. Our IT systems process a significant number of transactions on a daily basis. These systems contain highly confidential information about our customers, employees, and other stakeholders.
A breakdown or system failure may lead to a major disruption for the business, leading to a significant impact on operational performance and financial ramifications.

The business is reliant on a few major customers and loss of one of these customers would have an impact on our future financial performance.

The company has been successful in gaining new orders for the medical diagnostics sector subsequent to year ended 31st March 2020 (Note 26).

Approved by the Board on Dec 23, 2020 and signed on its behalf by:

Patrick Ward
Patrick Ward (Dec 23, 2020 11:23 GMT)
....
P N Ward
Director

P.O. Box 88
27 Dewsbury Road
Ossett
West Yorkshire
WF5 9WS

Carclo Technical Plastics Limited
Directors' Report for the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Matters covered in the Strategic Report
As permitted by paragraph 1A of Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors report have been omitted as they are included in the Strategic Report on page 3.

Results
The profit for the year, after taxation, amounted to £2,453,661 (2019 loss: £1,085,898).

Going Concern
The financial statements are prepared on the going concern basis.

The company made a pre-tax profit of £ 2,582k, has net assets of £520k and £625k cash.

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

The debt facilities available to Carclo plc group now comprise a term loan of £34.5m, of which £3.0m will be amortised by 30 September 2022 and a £3.5m revolving credit facility maturing on 31 July 2023.

Further a schedule of contributions has been agreed with the Pension Trustee through to September 2037.

The bank facilities are subject to four covenants to be tested on a quarterly basis:
1. Underlying interest cover
2. Net debt to underlying EBITDA
3. Core subsidiary underlying EBITA
4. Core subsidiary revenue.

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

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

The Directors have prepared cash flow and covenant forecasts to cover the 12 month period from the date of signing these financial statements taking into account the Group's available debt facilities and the terms of the arrangements with the Bank and the Pension Scheme. These demonstrate that the Group has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have performed sensitivity testing based on a number of reasonably possible scenarios including taking into account the current view of reasonably possible impacts of the COVID-19 pandemic on the company, covering reductions in customer demand; impacts to manufacturing operations arising from outbreaks impacting the local workforce; national and regional lockdown measures; and other indirect impacts to supply chains arising from the pandemic. The Directors also considered the potential impact to the company of a no deal Brexit with the possibility of increases to costs arising from changes to import and export tariffs as well as additional administrative costs to deal with changes to how our UK-based operations process transactions with the EU after 1 January 2021.

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that company will continue to operate within the facilities available to it and to adhere to the covenant tests to which it is subject throughout the 12 month period from the date of signing the financial statements and as such it has adopted the Going Concern assumption in preparing the financial statements.

Carclo Technical Plastics Limited
Directors' Report for the Year Ended 31 March 2020

Directors of the company
The directors who held office during the year and to the date of this report were as follows:

R J Ottaway (Appointed 31/03/2015, Resigned 29/07/2019)
P N Ward (Appointed 25/08/2010)
N I B Sanders (Appointed 05/10/2020)
C J Malley (Appointed 27/03/2013, Resigned 31/12/2019)
S A C Collins (Appointed 31/12/2019, Resigned 05/10/2020)

Dividends
No dividends will be distributed for the year ended 31 March 2020 (2019 - Nil).

Political donations and expenditure
During the period the company made no political donations (2019 - Nil).

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

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

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

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

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

It is the company's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities.

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

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

Disclosure of information to the Auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of Auditor
The Auditor Mazars LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on Dec 23, 2020 and signed on its behalf by:

Patrick Ward
Patrick Ward (Dec 23, 2020 11:23 GMT)

....
P N Ward - Director

P.O. Box 88
27 Dewsbury Road
Ossett
West Yorkshire
WF5 9WS

Carclo Technical Plastics Limited

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

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

Carclo Technical Plastics Limited

Independent Auditor's Report to the Members of Carclo Technical Plastics Limited

Opinion

We have audited the financial statements of Carclo Technical Plastics Limited for the year ended 31 March 2020 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Independent Auditor's Report to the Members of Carclo Technical Plastics Limited (continued)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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

Gavin Barclay (Dec 23, 2020 11:36 GMT)

....

Gavin Barclay
Senior Statutory Auditor for and on behalf of Mazars LLP

Dec 23, 2020

....

Date

Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Carclo Technical Plastics Limited
Profit and Loss Account for the Year Ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	4	27,945,181	23,749,582
Cost of sales		(11,119,398)	(8,678,913)
Gross profit		16,825,783	15,070,669
Administrative expenses		(14,489,703)	(13,646,799)
Exceptional items	5	310,691	(633,672)
Operating profit		2,646,771	790,198
Interest payable and similar charges	7	(65,152)	(80,309)
Profit before tax		2,581,619	709,889
Tax on profit on ordinary activities	11	(127,958)	(1,795,787)
Profit / (Loss) for the year		2,453,661	(1,085,898)

The above results were derived from continuing operations.

There was no other comprehensive income during the year (2019 : £nil) and so no Statement of Comprehensive Income is presented.

The notes on pages 12 to 26 form an integral part of these financial statements

Carclo Technical Plastics Limited
(Registration number: 03088344)
Balance Sheet as at 31 March 2020

	Notes	2020 £	2019 £
Fixed assets			
Intangible assets	12	3,444,299	3,428,425
Tangible assets	13	14,167,755	11,250,377
		17,612,054	14,678,802
Current assets			
Inventory	15	4,471,897	3,221,590
Trade & other receivables	16	6,811,803	5,008,593
Contract assets	17	446,756	100,479
Cash at bank and in hand	18	625,457	435,800
		12,355,913	8,766,462
Creditors: Amounts falling due within one year	19 , 22	(28,410,759)	(24,872,804)
Net current liabilities		(16,054,846)	(16,106,342)
Creditors: Amounts due greater than one year	19	(843,928)	-
Deferred Tax	10	(170,101)	(172,252)
Provisions for liabilities	21	(22,765)	(333,455)
Net assets / (liabilities)		520,414	(1,933,247)
Capital and reserves			
Called up share capital	24	1,000,001	1,000,001
Retained earnings		(479,587)	(2,933,248)
Shareholders' equity / (deficit)		520,414	(1,933,247)

Approved by the Board on Dec 23, 2020 and signed on its behalf by:

Patrick Ward
Patrick Ward (Dec 23, 2020 11:23 GMT)

....
P N Ward - Director

The notes on pages 12 to 26 form an integral part of these financial statements

Carclo Technical Plastics Limited
Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £	Retained Earnings £	Total £
At 1 April 2019	1,000,001	(2,933,248)	(1,933,247)
Profit for the year	-	2,453,661	2,453,661
Total comprehensive income	-	2,453,661	2,453,661
At 31 March 2020	1,000,001	(479,587)	520,414

The cumulative catch up adjustment on conversion to IFRS 16 was immaterial.

	Share capital £	Retained Earnings £	Total £
At 1 April 2018	1,000,001	(1,847,350)	(847,349)
Loss for the year	-	(1,085,898)	(1,085,898)
Total comprehensive income	-	(1,085,898)	(1,085,898)
At 31 March 2019	1,000,001	(2,933,248)	(1,933,247)

The notes on pages 12 to 26 form an integral part of these financial statements

1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:
PO Box 88
27 Dewsbury Road
Ossett
West Yorkshire
WF5 9WS
England and Wales

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs. The following exemptions have been adopted in these financial statements:
- Business combinations - Business combinations that took place prior to 1 April 2014 have not been restated.
- Fair value or revaluation as deemed cost - At 1 April 2014, fair value has been used as deemed cost for properties previously measured at fair value.

The Company's ultimate parent undertaking, Carclo PLC includes the Company in its consolidated financial statements. The consolidated financial statements of Carclo PLC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Springstone House, PO Box 88, 27 Dewsbury Road, Ossett, WF5 9WS.

Summary of disclosure exemptions
In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- A Statement of Cash Flows and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Carclo PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of group settled share based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting period beginning on or after 1 April 2019. 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 2019:

2 Accounting policies (continued)

IFRS 16 Leases

IFRS 16 'Leases' was published in January 2016 and has become effective for the company for the period beginning 1 April 2019. The standard replaces IAS 17 'Leases', IFRIC 14 'Determining whether and Arrangement contains a lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard applies a single recognition and measurement approach for all applicable leases under which the Group is the lessee.

The company has lease contracts for property and equipment. Before the adoption of IFRS 16, leases in which substantially all the risks and rewards of ownership were retained by the lessor were classified as operating leases; all other leases were classified as finance leases. Under the previous standard, lease payments on operating leases were recognised as rental costs in the profit and loss. There was no recognition of the associated assets or liability in the balance sheet, except to the extent that there were any prepaid or accrued rents.

Upon adoption of IFRS 16, for all leases where the company is a lessee, the company recognises a right-of-use asset and a lease liability in its balance sheet. The profit and loss includes depreciation in relation to the right-of-use assets and a finance charge in relation to the lease liabilities. The company does not act as a lessor.

The company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The nature and effect of the changes, and of the practical expedients used by the Group, are disclosed in note 13.

Going concern

The financial statements are prepared on the going concern basis.

The company made a pre-tax profit of £ 2,582k, has net assets of £520k and £625k cash.

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

The debt facilities available to Carclo plc group now comprise a term loan of £34.5m, of which £3.0m will be amortised by 30 September 2022 and a £3.5m revolving credit facility maturing on 31 July 2023.

Further a schedule of contributions has been agreed with the Pension Trustee through to September 2037.

The bank facilities are subject to four covenants to be tested on a quarterly basis:
1. Underlying interest cover
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4. Core subsidiary revenue.

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

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The Directors have prepared cash flow and covenant forecasts to cover the 12 month period from the date of signing these financial statements taking into account the Group's available debt facilities and the terms of the arrangements with the Bank and the Pension Scheme. These demonstrate that the Group has sufficient headroom in terms of liquidity and covenant testing through the forecast period.

The Directors have performed sensitivity testing based on a number of reasonably possible scenarios including taking into account the current view of reasonably possible impacts of the COVID-19 pandemic on the company, covering reductions in customer demand; impacts to manufacturing operations arising from outbreaks impacting the local workforce; national and regional lockdown measures; and other indirect impacts to supply chains arising from the pandemic. The Directors also considered the potential impact to the company of a no deal Brexit with the possibility of increases to costs arising from changes to import and export tariffs as well as additional administrative costs to deal with changes to how our UK-based operations process transactions with the EU after 1 January 2021.

2 Accounting policies (continued)

On the basis of this forecast and sensitivity testing, the Board has determined that it is reasonable to assume that company will continue to operate within the facilities available to it and to adhere to the covenant tests to which it is subject throughout the 12 month period from the date of signing the financial statements and as such it has adopted the Going Concern assumption in preparing the financial statements.

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

To determine whether to recognise revenue, the Company follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

The Company sometimes enters into transactions involving a range of the Company's products and services, for example for the tooling and production of medical devices. The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices, or, in the absence of a stand-alone selling price, on a cost plus margin basis. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the balance sheet (see Note 4). Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its balance sheet, depending on whether something other than the passage of time is required before the consideration is due.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets
Plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.
The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Freehold Buildings	2.70%
Leasehold property	10%
Plant & Machinery	10-20%
Motor Vehicles	25%

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2 Accounting policies (continued)

Intangible assets
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.
Negative goodwill arising on an acquisition is recognised directly in the profit and loss. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the profit and loss on disposal.

Software is subject to amortisation over the useful life of the software.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.
If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.
If not, they are presented as non-current assets.
The Company measures loss allowances for estimates of expected credit losses ("ECLs") on trade debtors.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.
The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.
Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.
Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss over the period of the relevant borrowing.
Interest expense is recognised on the basis of the effective interest method and is included in finance costs.
Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.
Policy applicable from 1 April 2019
At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 April 2019.

As a lessee
At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

2 Accounting policies (continued)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the balance sheet.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 April 2019

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

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.
Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Defined benefit pension obligation

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Carclo PLC is legally the sponsor of the scheme and recognises the net defined cost for the scheme as a whole less the contributions of other plan participants. Accordingly the company accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. During the period this charge was £Nil (2019 - £Nil). Full details of the financial assumptions used to assess the scheme's assets and liabilities can be found in the accounts of Carclo PLC. During the year ended 31 March 2011 the company elected to cease future accrual for existing members of the defined benefit scheme and members transferred to the defined contribution scheme.

2 Accounting policies (continued)

Derivatives and hedging
The company uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational activities. In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement of fair values is recognised immediately in the profit and loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. At the year end no derivative financial instruments qualified for hedge accounting.

Accounting estimates and judgements. The following are the critical judgments and key sources of estimation uncertaintythat the Directors have made in the process of applying the company accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Going concern
Note 2 contains information about the preparation of these financial statements on a going concern basis

Key Judgement
Management has exercised judgement over the likelihood of the company to continue to operate within its available facilities from the twelve months from the date of signing these financial statements.

Lease discount rates

Key sources of estimation
For those leases where no interest rate could be implied from the lease agreement , management has estimated the interest rate based on Carclo plc's incremental borrowing rates

Goodwill
Note 12 contains details of goodwill impairment

Key sources of estimation
The company is required to test on an annual basis whether goodwill has suffered any impairment. The company uses a fair value less costs of disposal model to determine if impairment is required. The use of this method requires the estimation of fair value.

Revenue recognition

Key judgement
The revenue recognised on the CTP tooling contracts requires management to use judgement to apportion contract revenue to the tooling performance obligation.

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

3 Acquisition of Optics Business

On 20 December 2019, the company purchased the business and assets of the Aylesbury based Optics business from the Administrators of Wipac Limited.

Prior to 20 December 2019 Optics was a profitable standalone business operating within the Wipac Limited legal entity but with its business closely related to the company and with its principal supplier being CTP Czech. Acquiring the Optics business secures a major customer for the CTP Czech business and secures access to new markets and customers.

Consideration for the acquisition was £0.25 million and the fair value of the identifiable net assets acquired was £0.25 million.

For the period from 20 December 2019 to 31 March 2020 the Optics business contributed revenue of £2.129 million and profit of £0.278 million to the Company's results.

If the acquisition had occurred on 1 April 2019, management estimates that the additional revenue and profit for the year would have been : Revenue £5.2 million, Profit before tax £0.6 million

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.	**£000**
Cash	250
Total consideration transferred	250
Property, plant and equipment	307
Intangible assets	16
Inventories	944
Amounts owed by related undertakings	6
Amounts owed to related undertakings	(839)
Trade and other payables	(184)
Total identifiable net assets acquired	250
Goodwill	-

4 Revenue from Contracts with Customers

a) Nature of goods and services

The following is a description of the principal activities from which the Company generates its revenues.

The Company supplies fine tolerance, injection moulded plastic components which are used in medical and optics products. Revenues comprise two typical project types: manufacturing and tooling.

Manufacturing

The majority of the Company's business is in manufacturing injection moulded product.

Control of manufactured finished goods transfers to customers on despatch. Therefore revenue is recognised at a point in time, when individual manufactured products are despatched to customers.

Tooling

The company also designs, builds and validates injection moulding tools for customers, which together is described as the "Tooling performance obligation."

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

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

Some contracts include both tooling and manufacturing performance obligations.

b) Contract balances

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

	31 March 2020 £	1 April 2019 £
Trade receivables (see note 15)	5,495,000	3,210,933
Contract assets (see note 16)	446,756	100,479
Contract liabilities (see note 22)	(543,555)	(289,435)
	5,398,201	3,021,977

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

The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities relate to the advance consideration received from customers before the related revenue has been recognised; this applies to tooling contracts.

c) Disaggregation of revenue

	2020 £	2019 £
Major products/service lines		
Manufacturing	24,297,098	20,562,582
Tooling	3,648,083	3,187,000
	27,945,181	23,749,582
Timing of revenue recognition		
Products transferred at a point in time	24,297,098	20,562,582
Products and services transferred over time	3,648,083	3,187,000
	27,945,181	23,749,582

5 Exceptional items

Release of provision in respect of the closure of the Burgess Hill property has been presented as exceptional items.

6 c) Transaction price to remaining performance obligations

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

Revenue expected to be received

	2021	2022	2023	2024
	£	£	£	£
Tooling	445,680	-	-	-
	445,680	-	-	-

7 Interest payable and similar charges

	2020	2019
	£	£
Interest on bank overdrafts and borrowings	65,152	80,309

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows

	2020	2019
	£	£
Wages and salaries	7,152,694	6,626,626
Social security costs	690,293	627,851
Pension costs, defined contribution scheme	313,209	268,935
	8,156,196	7,523,412

The average number of persons employed by the company (including directors) during the year was 239 (2019 - 217).

9 Directors' remuneration

In respect of the highest paid director:	2020	2019
	£	£
Remuneration	167,967	154,837

Mr C J Malley and Mr SAC Collins were also directors of the holding company and fellow subsidiary undertakings and Mr R Ottaway was also a director of fellow subsidiary undertakings. During their tenure as directors of the company their remuneration has been disclosed in Carclo PLC financial statements.

The directors do not believe that it is practicable to apportion this amount between their service as directors of the holding company and the fellow subsidiary undertakings.

10 Auditor's remuneration

	2020	2019
	£	£
Audit of the financial statements	20,000	30,000

11 Income tax

	2020	2019
	£	£
Tax charged/(credited) in the profit and loss account:		
Current taxation		
UK corporation tax adjustment to prior periods	-	-
UK corporation tax in respect of the current period	-	-
Foreign tax	130,109	108,323
	130,109	108,323
Deferred taxation		
Prior year adjustments	-	99,897
Current year arising from origination and reversal of temporary differences	(2,151)	(158,520)
Current year exceptional derecognition of deferred tax assets	-	1,746,087
	(2,151)	1,687,464
Tax expense in the profit and loss account	**127,958**	**1,795,787**

The tax on profit before tax for the year is lower (2019 - higher) than the standard rate of corporation tax in the UK of 19% (2019 - 19%).

	2020	2019
	£	£
The differences are reconciled below:		
Profit before tax	2,581,619	709,889
Corporation tax at standard rate of 19% (2019: 19%)	490,508	134,879
Increase in deferred tax of prior period (UK and overseas)	-	99,897
Derecognition of deferred tax assets	-	1,746,087
Decrease arising from group relief tax reconciliation	(822,440)	(349,400)
Increase arising from overseas tax suffered	130,109	108,323
Increase/(decrease) from expenses not deductible for tax purposes	329,781	37,352
Rate differences between UK current and deferred tax	-	18,649
Total tax charge	127,958	1,795,787

Deferred tax movement during the year:	At 1 April 2019 £	Recognised in income £	At 31 March 2020 £
Accelerated tax depreciation	-	-	-
Revaluation of property Unit 47 Wates Way Mitcham	(172,252)	2,151	(170,101)
Net tax assets/(liabilities)	(172,252)	2,151	(170,101)

Deferred tax movement during the prior year:

	At 1April 2018 £	Recognised in income £	At 31 March 2019 £
Accelerated tax depreciation	1,689,615	(1,689,615)	-
Revaluation of property	(174,403)	2,151	(172,252)
Net tax assets/(liabilities)	1,515,212	(1,687,464)	(172,252)

Net tax assets / liabilities are included in provisions in the balance sheet

Deferred tax assets and liabilities at 31 March 2020 have been calculated based on the rates substantively enacted at the balance sheet date. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

12 Intangible fixed assets

	Software	Goodwill	Total
	£	£	£
Cost or valuation			
At 1 April 2019	68,584	5,200,870	5,269,454
Additions	30,106	-	30,106
Acquisition through business combinations	16,000		16,000
At 31 March 2020	114,690	5,200,870	5,315,560
Amortisation			
At 1 April 2019	20,721	1,820,308	1,841,029
Charge in Year	30,232	-	30,232
At 31 March 2020	50,953	1,820,308	1,871,261
Carrying amount			
At 31 March 2020	63,737	3,380,562	3,444,299
At 31 March 2019	47,863	3,380,562	3,428,425

Impairment Review - Goodwill

The impairment review of goodwill was based on an estimate of fair value less the costs of disposal ("FVLCD") as this method had already been calculated and considered by management as part of the restructuring analysis underpinning the financing agreements that have been entered into with the Group's bank and the Group pension scheme subsequent to the balance sheet date .See note 26.

The FVLCD valuation uses an estimate of the value which would be expected to be received from a third party in a sale of the CGU net of estimated sale costs. This valuation is a level 3 measurement which is based on inputs which are normally unobservable to market participants.

The earnings multiple is a key assumption and this has been based on tailored advice provided by a competent third party advisor. The level of earnings is another key assumption and is based on current, Board-approved EBITDA forecasts.

Current carrying amount of goodwill is £3.4 million, headroom from FVLCD model is £24.0 million.
The review concludes there is no impairment required.

13 Tangible fixed assets

	Land and buildings	Furniture Fittings and Equipment	Total
	£	£	£
Cost or valuation			
At 1 April 2019	5,243,449	12,673,704	17,917,153
IFRS 16 Right of Use on Transition	1,688,741	51,454	1,740,195
Additions	189,967	3,012,972	3,202,939
Acquisition through business combinations	-	307,000	307,000
At 31 March 2020	7,122,157	16,045,130	23,167,287
Depreciation			
At 1 April 2019	627,090	6,039,687	6,666,777
Charge for the year	781,321	1,096,758	1,878,079
Eliminated on disposal	89,687	364,989	454,676
At 31 March 2020	1,498,098	7,501,434	8,999,532
Carrying amount			
At 31 March 2020	5,624,059	8,543,696	14,167,755
At 31 March 2019	4,616,359	6,634,017	11,250,376

Pledged as security

Property with a carrying amount of £2,241,000 (2019 - £2,264,196) has been pledged as security for the group pension scheme.
Tangible fixed assets includes right-of-use assets as set out in note 14.

14 Leases

The Company initially applied IFRS 16 Leases from 1 April 2019.

The Company's leases are principally for warehouse and manufacturing facilities with a small number of vehicles and other plant and machinery.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, The Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2). On transition to IFRS 16, The Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

As a lessee, The Company leases several assets including property, production equipment, vehicles and IT equipment. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet. At commencement or on modification of a contract that contains a lease component, The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However for leases of property The Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, the Company relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review for right-of-use assets,discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
– did not recognise right-of-use assets and liabilities for leases of low value assets;
– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
– applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
– used hindsight when determining the lease term.

Impact of transition upon the financial statements

On transition to IFRS 16, the company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

The cumulative catch up adjustment on conversion to IFRS 16 was immaterial.

	1 April 2019 £000
Right-of-use assets – property, plant and equipment	1,740
Deferred tax asset	-
Lease liabilities	1,740
Retained earnings	-
Operating lease commitments at 31st March 2019 under IAS17	2,035
Less Leases expiring within 1 year	(8)
Less low value leases less than £5000	(57)
Effect of using incremental borrowing rate at 31 March 2019	(230)
Lease liabilities recognised at 1st April 2019	1,740

The warehouse and factory leases were entered into at various points in the past and in some cases as combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17. The Company leases office and IT equipment with contract terms typically of one to ten years. These leases are short term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases. Information about leases for which The Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties are presented as property, plant and equipment (see note 13).

	Land and Buildings £000	Plant and Equipment £000	Total £000
Balance at 1 April 2019	1,689	51	1,740
Depreciation charge for the year	(503)	(58)	(561)
Additions to right-of-use assets	-	183	183
Balance at 31 March 2020	1,186	176	1,362

Amounts recognised in profit or loss	2020 £000
2020 - Leases under IFRS 16	
Interest on lease liabilities	43
Expenses relating to short-term leases	20
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-

	2019 £000
2019 - Operating leases under IAS 17	
Lease expense	582

	2020 £000
Total cash outflow for leases	(577)

15 Inventory

	2020 £	2019 £
Raw materials and consumables	1,729,892	811,740
Finished goods and goods for resale	2,742,005	2,409,850
Total inventory	4,471,897	3,221,590

The cost of inventory recognised as an expense in the year amounted to £7,135,705 (2018 - £5,592,143). This is included within cost of sales. The amount of write-down of inventory recognised as an income in the year is £167,508 (2019 expense - £181,161). This is included within cost of sales.

16 Trade and other receivables

	2020 £	2019 £
Trade receivables	5,495,000	3,210,933
Debtors from related parties	278,359	874,921
Prepayments and accrued income	557,700	561,628
Other debtors	480,744	361,111
Total	6,811,803	5,008,593

Amounts owed by related parties are non-interest bearing, unsecured and have no fixed payment date.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 31 March 2020 was determined as follows for trade receivables:

	2020 Gross carrying amount £	Loss allowance £	Expected loss rate %	2019 Gross carrying amount £	Loss allowance £	Expected loss rate %
Not past due	3,785,715	(94,593)	-2.5%	2,703,688	-	0.0%
Past due 0 - 30 days	601,344	-	0.0%	350,144	-	0.0%
Past due 31 - 60 days	900,972	-	0.0%	65,995	-	0.0%
Past due 61 - 120 days	104,909	-	0.0%	57,009	-	0.0%
More than 120 days	7,467	-	0.0%	34,097	-	0.0%
	5,400,407	(94,593)	-1.8%	3,210,933	-	0.0%

The movement in the allowance for impairment in respect of trade receivables and contract assets during the period was as follows.

	2020 £	2019 £
Balance at 1 April per IFRS 9	-	-
Amounts written off	-	-
Net measurement of loss allowance	(94,593)	-
Balance at 31 March	(94,593)	-

17 Contract assets

	2020 £	2019 £
Contract assets - see note 4	446,756	100,479
Total contract assets	446,756	100,479

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets.

To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and are therefore not past due. The Company has reviewed the risk characteristics and consider them to be the same as the trade receivables not past due for the same types of contracts. The Company has concluded that the expected loss rates for the contract assets are therefore £Nil.

18 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	625,457	435,800
Bank overdrafts	-	(404,030)
Total cash and cash equivalents	625,457	31,770

19 Loans and borrowings

	2020 £	2019 £
Current loans and borrowings		
Bank overdraft	-	404,030
Lease liabilities	1,389,723	-

Lease Liabilities		
Within one year	545,795	-
In two to five years	843,928	-
In over five years	-	-
	1,389,723	-

At the balance sheet date the bank overdraft facility is secured by way of a floating charges over other assets of the company. Interest is payable at the floating rate of LIBOR + 1.75%.

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £313,209 (2019 - £268,935).

Contributions totalling £66,594 (2019 - £58,945) were payable to the scheme at the end of the year and are included in creditors.

21 Site closure provision

	Other provisions £	Total £
At 1 April 2019	333,455	333,455
Decrease in existing provisions	(310,690)	(310,690)
At 31 March 2020	22,765	22,765
Of which:		
Non-current liabilities	-	-
Current liabilities	22,765	22,765

Of the £333,455 provision brought forward at 31 March 2019, £310,690 was used in the year in respect of the closure of the Burgess Hill property.

22 Trade and other creditors

	2020 £	2019 £
Trade creditors	3,500,728	1,713,303
Accrued expenses	902,033	658,107
Amounts due to related parties	22,545,226	21,483,827
Social security and other taxes	198,771	176,531
Other creditors	174,650	147,571
Contract liabilities	543,555	289,435
	27,864,963	24,468,774

Amounts owed to group undertakings are non-interest bearing, unsecured and have no fixed payment date.

23 Capital commitments

The total amount contracted for but not provided in the financial statements was £160,000 (2019 - £76,750).

24 Share capital

Allotted, called up and fully paid shares

	2020 No.	2020 £	2019 No.	2019 £
Ordinary of £1 each	1,000,001	1,000,001	1,000,001	1,000,001

25 Contingent liabilities

The company has provided cross guarantees in respect of certain bank overdrafts of other Carclo plc subsidiary undertakings. At 31 March 2020, the Group had medium-term multi-currency revolving loan facilities totalling £30.0 million (2019: £30.0 million). These facilities were entered into on 27 March 2015 with the Group's principal UK banker and during the period were extended to 31 January 2021. At 31 March 2020, these facilities were drawn to the extent of £30.4 million (2019: £29.9 million), which is possible due to a foreign exchange allowance included in the facility, and incur interest at the rate of between 1.10% and 3.75% above the relevant currency base rate.

There is a floating charge over the company's assets in respect of the above guarantees.

26 Post balance sheet event

On 14 August 2020 the Group concluded a restructuring with the Company's main creditors being its bank, HSBC, and the pension scheme to secure the continued support of those parties through to 31 July 2023.
The debt facilities now available to the Group comprise a term loan of £34.5million, of which £3.0 million will be amortised by 30 September 2022 and a £3.5 million revolving credit facility maturing on 31 July 2023. The additional £3.0 million provides the Group with additional headroom to deal with uncertainty in short-term cash flows due to the current economic climate.

In addition, a new schedule of contributions has been agreed with the pension trustees covering the period to September 2037, or until such time as a new schedule of contributions and recovery plan has been agreed in respect of the scheme.

On the 17 August, the Group announced that the Company has been successful in securing a number of new tooling orders for the medical diagnostics sector after the year-end, which provides additional resilience for the near term and the opportunity for further growth in future years.

Parent and ultimate parent undertaking

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Carclo PLC, incorporated in England and Wales.
The address of Carclo PLC is:
Springstone House
27 Dewsbury Road
Ossett
WF5 9WS