Carclo Technical Plastics Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2019

Carclo Technical Plastics Limited

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Carclo Technical Plastics Limited

Company Information

Directors
R J Ottaway (Resigned 29/07/2019)
P N Ward
C J Malley (Resigned 31/12/2019)
S A C Collins (Appointed 31/12/2019)

Company secretary

A. Wakes (Appointed 04/10/2019)
R A Cole (Appointed 29/07/2019) (Resigned 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

KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

The directors present their strategic report for the year ended 31 March 2019.

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 teletronics 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 £23,749,582 increased from the prior year (2018: £23,269,202).
At the year end the company had net liabilities of £1,933,247 (2018: net liabilities £847,349).

Key performance indicators:
Turnover increased by 2.06% compared to the prior year.
Operating profit margin increased to 3.33% (2018: 2.67%).

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.

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.

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.

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.

Approved by the Board on 12.3.20 and signed on its behalf by:

....
S A C Collins
Director

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

The directors present their report and the financial statements for the year ended 31 March 2019.

Results
The loss for the year, after taxation, amounted to £1,085,898 (2018 profit: £257,730).

Going Concern
The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

Whilst the Company has generated a loss for the year of £1,085,898 and has net liabilities at 31 March 2019 of £1,933,247, the Company is an obligor to the Group bank facility agreement and is ultimately financed by the Group facility.

Group net debt was £26.8m at 30 September 2019 with overseas operations holding £8 million in cash and UK borrowings close to £35 million. Total Group UK bank facilities at 30 September 2019 were £40.0m, including a revolving credit facility of £30.0m, due to expire on 31 January 2021, and an overdraft facility of £10.0m. In mid-January 2020, the lending bank received two initial distributions, totalling £5.0m, from the Administrator of a fellow subsidiary company, Wipac Limited, following its insolvency and the subsequent sale of its trade and assets. At the same time, the Group's overdraft facility reduced in line with the receipts to £5.0m, leaving total UK bank facilities at £35.0m at the date of this report.

Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021. Negotiations are also ongoing with the pension trustee in respect Group's defined benefit pension. The pension scheme deficit included on the Group's balance sheet at 30 September 2019, was £51.3m. The Group has an agreement in place, effective until January 2021, to make contributions of £2.7m per annum. Negotiations are ongoing to agree the level of future contributions to the pension scheme. The future contribution level, which is likely to be higher than currently, has to be affordable for the Group and acceptable to the pension trustee. The negotiations with the bank and pension trustee are inter-dependent and are expected to be concluded before 31 March 2020.

As of the date of this Annual Report, the directors have prepared forecasts for Carclo plc and its subsidiaries ("the Group") based on current trading conditions. These cash flow forecasts have been prepared for a period in excess of two years from the date of the approval of these financial statements. Under the cash flow forecast base case, the Group's financing is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period. Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to:

The lending bank continuing to offer sufficient facilities

The debt facilities available to the Group which currently comprise an overdraft facility of £5.0m and a £30.0m revolving credit facility maturing at the end of January 2021, a period of less than twelve months from the date of this report. The base case cash flow forecast and hence the going concern assessment have been prepared on the basis that the bank continues to extend a sufficient overdraft facility for the period to February 2021, in addition to the £30m revolving credit facility. Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021.

An affordable funding agreement being reached with the Pension Trustee

The Group's defined benefit pension scheme has a sizeable funding deficit. Until 31 January 2021, a total of £2.7m per annum is being paid to the scheme by the Group. Negotiations for a long-term funding agreement are on-going and it is likely that a higher-level of contributions will be required. The base case cash flow forecasts and hence the going concern assessment have been prepared on the basis that an affordable level of contributions can be agreed.

Suppliers continuing to offer normal commercial credit terms

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

Customers paying invoices to terms

Any significant delay in receiving payment could impact on headroom.

Ongoing trading performance

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

Capital investment projects completing on time and on budget

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

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

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

Based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the ongoing support of the Group's lending bank and an affordable funding agreement being reached with the Pension Trustee, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Directors of the company
The directors, who held office during the year, were as follows:

R J Ottaway (Resigned 29/07/2019)
P N Ward
C J Malley (Resigned 31/12/2019)
S A C Collins (Appointed 31/12/2019)

Dividends
No dividends will be distributed for the year ended 31 March 2019 (2018 - Nil).

Political donations and expenditure
During the period the company made no political donations (2018 - 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 group 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 KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on ..12|3|20. and signed on its behalf by:

....
S A C Collins

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

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 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.

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

Opinion

We have audited the financial statements of Carclo Technical Plastics Limited (the 'company') for the year ended 31 March 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the Accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties consequent upon the UK's departure from the European Union on our audit

Uncertainties related to the effects of the UK's departure from the European Union (EU) are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance. The uncertainty over the UK's future trading relationships with the rest of the world and related economic effects give rise to extreme levels of uncertainty, with the full range of possible effects currently unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the impact of the UK's departure from the EU.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the net debt of the wider Group of which the Company is a member was £26.8m at 30 September 2019 and the Company's ability to continue as a going concern is dependent on both the Group's ability to meet its forecasts and remain within the overall bank and other debt facilities and be in compliance with covenants and the Group's ability to refinance it's bank facility in January 2021 and being able to negotiate an affordable level of future contributions with the trustees of the Group's pension scheme. These events and conditions, along with the other matters explained in note 2, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

....

John Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

13/3/2020

Carclo Technical Plastics Limited
Profit and Loss Account for the Year Ended 31 March 2019

	Notes	2019 £	2018 £
Turnover	3	23,749,582	23,269,202
Cost of sales		-7,256,705	-5,694,143
Gross profit		16,492,877	17,575,059
Administrative expenses		-15,069,007	-17,042,183
Exceptional items	23	-633,672	88,769
Operating profit/(loss)		790,198	621,645
Interest payable and similar charges	4	-80,309	-93,482
Profit/(loss) before tax		709,889	528,163
Tax on profit/(loss) on ordinary activities	8	-1,795,787	-270,433
(Loss) / profit for the year		-1,085,898	257,730

The above results were derived from continuing operations.

The accompanying notes form an integral part of the financial statements

Carclo Technical Plastics Limited
Statement of Comprehensive Income for the Year Ended 31 March 2019

	Notes	2019 £	2018 £
(Loss) / profit for the year		-1,085,898	257,730
Items that will not be reclassified subsequently to profit or loss			
Surplus on tangible assets revaluation		-	-
Total comprehensive income for the year		-1,085,898	257,730

The accompanying notes form an integral part of the financial statements

Carclo Technical Plastics Limited
(Registration number: 03088344)
Balance Sheet as at 31 March 2019

	Notes	2019 £	2018 £
Fixed assets			
Intangible assets	10	3,428,425	3,380,562
Tangible assets	9	11,250,377	11,615,876
Deferred tax assets	8	-	1,689,615
		14,678,802	16,686,053
Current assets			
Stocks	11	3,221,590	3,862,477
Debtors	12	5,008,593	5,615,393
Cash at bank and in hand	14	435,800	1,129,096
Contract assets	13	100,479	0
Assets held for sale		-	200,000
		8,766,462	10,806,966
Creditors: Amounts falling due within one year	16, 14	-24,872,804	-27,681,553
Net current liabilities		-16,106,342	-16,874,587
Total assets less current liabilities		-1,427,540	-188,534
Provisions for liabilities	8, 19	-505,707	-658,815
Net liabilities		-1,933,247	-847,349
Capital and reserves			
Called up share capital	15	1,000,001	1,000,001
Retained earnings		-2,933,248	-1,847,350
Shareholders' deficit		-1,933,247	-847,349

Approved by the Board on 12/3/20 and signed on its behalf by:

....
S A C Collins

The accompanying notes form an integral part of the financial statements

Carclo Technical Plastics Limited
Statement of Changes in Equity for the Year Ended 31 March 2019

	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 cumulative catch up adjustment on conversion to IFRS 15 was immaterial.

	Share capital £	Retained Earnings £	Total £
At 1 April 2017	1,000,001	-2,105,080	-1,105,079
Profit for the year	-	257,730	257,730
Total comprehensive income	-	257,730	257,730
At 31 March 2018	1,000,001	-1,847,350	-847,349

The accompanying notes form an integral part of the 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 taken 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 Cash Flow Statement 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 2018. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2018:

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

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018).
IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018. Further details including the impact of this standard on the Financial Statements can be found in note 3.

2 Accounting policies (continued)

Annual Improvements to IFRS Standards 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2018);
IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018);
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2018); and
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date 1 January 2018).

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

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 Company has elected not to adopt early these standards which are described below.

IFRS 16 Leases (effective date 1 January 2019). This new standard will impact the recognition, measurement and disclosure of operating leases.

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

On the date of transition to IFRS 16, 1 April 2019, it is expected that right-of-use leased assets and lease liabilities will be recognised in the Balance Sheet with equal and opposite values expected to be within the range £1.4 million to £2.1 million. In the year to 31 March 2020 it is anticipated that the adoption of IFRS 16 will have the impact on the income statement of increasing depreciation costs by £0.4 million to £0.6 million, increasing finance costs by £0.0 million to £0.1 million and reducing operating lease costs by £0.4 million to £0.6 million.

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

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

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. Whilst the Company has generated a loss for the year of £1,085,898 and has net liabilities at 31 March 2019 of £1,933,247, the Company is an obligor to the Group bank facility agreement and is ultimately financed by the Group facility.

Group net debt was £26.8m at 30 September 2019 with overseas operations holding £8 million in cash and UK borrowings close to £35 million. Total Group UK bank facilities at 30 September 2019 were £40.0m, including a revolving credit facility of £30.0m, due to expire on 31 January 2021, and an overdraft facility of £10.0m. In mid-January 2020, the lending bank received two initial distributions, totalling £5.0m, from the Administrator of a fellow subsidiary company, Wipac Limited, following its insolvency and the subsequent sale of its trade and assets. At the same time, the Group's overdraft facility reduced in line with the receipts to £5.0m, leaving total UK bank facilities at £35.0m at the date of this report.

Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021. Negotiations are also ongoing with the pension trustee in respect Group's defined benefit pension. The pension scheme deficit included on the Group's balance sheet at 30 September 2019, was £51.3m. The Group has an agreement in place, effective until January 2021, to make contributions of £2.7m per annum. Negotiations are ongoing to agree the level of future contributions to the pension scheme. The future contribution level, which is likely to be higher than currently, has to be affordable for the Group and acceptable to the pension trustee. The negotiations with the bank and pension trustee are inter-dependent and are expected to be concluded before 31 March 2020.

2 Accounting policies (continued)

Going concern (continued)

As of the date of this Annual Report, the directors have prepared forecasts for Carclo plc and its subsidiaries ("the Group") based on current trading conditions. These cash flow forecasts have been prepared for a period in excess of two years from the date of the approval of these financial statements. Under the cash flow forecast base case, the Group's financing is forecast to remain within the available facilities and covenants for at least the twelve-month forecast period. Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to:

The lending bank continuing to offer sufficient facilities

The debt facilities available to the Group which currently comprise an overdraft facility of £5.0m and a £30.0m revolving credit facility maturing at the end of January 2021, a period of less than twelve months from the date of this report. The base case cash flow forecast and hence the going concern assessment have been prepared on the basis that the bank continues to extend a sufficient overdraft facility for the period to February 2021, in addition to the £30m revolving credit facility. Negotiations are currently ongoing with the bank, to renew the bank lending facilities beyond their current expiry at the end of January 2021.

An affordable funding agreement being reached with the Pension Trustee

The Group's defined benefit pension scheme has a sizeable funding deficit. Until 31 January 2021, a total of £2.7m per annum is being paid to the scheme by the Group. Negotiations for a long-term funding agreement are on-going and it is likely that a higher-level of contributions will be required. The base case cash flow forecasts and hence the going concern assessment have been prepared on the basis that an affordable level of contributions can be agreed.

Suppliers continuing to offer normal commercial credit terms

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

Customers paying invoices to terms

Any significant delay in receiving payment could impact on headroom.

Ongoing trading performance

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

Capital investment projects completing on time and on budget

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

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

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

Based on their assessment, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However, subject to the ongoing support of the Group's lending bank and an affordable funding agreement being reached with the Pension Trustee, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

2 Accounting policies (continued)

Revenue recognition
Revenue arises on the Company's principal activities. Further details are set out in note 3.

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 abscence 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 statement of financial position (see Note 3). 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 statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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

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

2 Accounting policies (continued)

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

Property, plant and equipment is stated in the statement of financial position 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%

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 income statement. 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 income statement on disposal.

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.

Trade debtors

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.

2 Accounting policies (continued)

Stock

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 creditors

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 income statement 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.

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 group 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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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 (2018 - £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.

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 income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. At the year end no derivative financial instruments qualified for hedge accounting.

3 Revenue from Contracts with Customers

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

a) Nature of goods and services

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

The Company supplies fine tolerance, injection moulded plastic components which are used in medical 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 delivery. Therefore revenue is recognised at a point in time, on delivery of individual manufactured products are delivered to customers. There is no significant impact on revenue recognition resulting from the move from IAS 18 to IFRS 15.

Tooling

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

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

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

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

b) Contract balances

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

	31 March 2019 £	1 April 2018 * £
Trade receivables (see note 12)	3,210,933	2,653,932
Contract assets (see note 13)	100,479	-
Contract liabilities (see note 20)	-289,435	-
	3,021,977	2,653,932

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.

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

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	2020 £	2021 £	2022 £	2023 £
Tooling	1,045,900	-	-	-
	1,045,900	-	-	-

3 Revenue from Contracts with Customers (continued)

d) Impacts on financial statements

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

Balance Sheet 31 March 2019	As reported £	Adjustments £	Balances without adoption of IFRS 15 £
Deferred tax assets	-	-	-
Stocks	3,221,590	-	3,221,590
Trade and other receivables	5,008,593	100,479	5,109,072
Contract assets	100,479	-100,479	-
Other assets	15,114,602	-	15,114,602
Total assets	23,445,264	-	23,445,264
Deferred tax liabilities	-172,252	-	-172,252
Trade and other payables	-24,179,339	-326,435	-24,505,774
Contract liabilities	-289,435	289,435	-
Provisions	-333,455	-	-333,455
Other liabilities	-404,030	-	-404,030
Total liabilities	-25,378,511	-37,000	-25,415,511
Retained earnings	-2,933,248	-37,000	-2,970,248
Other equity	1,000,001	-	1,000,001
Total equity	-1,933,247	-37,000	-1,970,247

Profit and Loss Account 31 March 2019	As reported £	Adjustments £	Balances without adoption of IFRS 15 £
Turnover	23,749,582	105,000	23,854,582
Cost of sales	-7,256,705	-	-7,256,705
Administrative expenses	-15,069,007	-68,000	-15,137,007
Exceptional items	-633,672	-	-633,672
Interest payable and similar charges	-80,309	-	-80,309
Tax on loss on ordinary activities	-1,795,787	-	-1,795,787
Loss for the period	-1,085,898	37,000	-1,048,898
Other comprehensive income	-	-	-
Total comprehensive income	-1,085,898	37,000	-1,048,898

Adjustments to revenue, other operating charges, trade and other payables and contract liabilities resulting from the adoption of IFRS 15 relate principally to the pattern of the transfer of control of tools to customers.

4 Interest payable and similar charges

	2019 £	2018 £
Interest on bank overdrafts and borrowings	80,309	93,482

5 Staff costs

	2019 £	2018 £
The aggregate payroll costs (including directors' remuneration) were as follows		
Wages and salaries	6,626,626	6,274,378
Social security costs	627,851	631,938
Pension costs, defined contribution scheme	268,935	251,108
	7,523,412	7,157,424

The average number of persons employed by the company (including directors) during the year was 217 (2018 - 206).

6 Directors' remuneration

In respect of the highest paid director:	2019 £	2018 £
Remuneration	154,837	192,463

Mr C J Malley was also director 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.

7 Auditor's remuneration

	2019 £	2018 £
Audit of the financial statements	30,000	24,000

8 Income tax

	2019	2018
	£	£
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	108,323	106,136
	108,323	106,136
Deferred taxation		
Current year arising from origination and reversal of temporary differences	-158,520	-97,860
Current year exceptional derecognition of deferred tax assets	1,746,087	-
Prior year adjustments	99,897	262,157
	1,687,464	164,297
Tax expense in the profit and loss account	1,795,787	270,433

The tax on profit before tax for the year is higher (2018 - higher) than the standard rate of corporation tax in the UK of 19% (2018 - 19%).

	2019	2018
	£	£
The differences are reconciled below:		
Profit before tax	709,889	528,163
Corporation tax at standard rate of 19% (2018: 19%)	134,879	100,351
Increase in deferred tax of prior period (UK and overseas)	99,897	-
Derecognition of deferred tax assets	1,746,087	-
Increase from effect of capital allowances depreciation	-	280,579
Decrease arising from group relief tax reconciliation	-349,400	-234,802
Increase arising from overseas tax suffered	108,323	106,136
Increase/(decrease) from expenses not deductible for tax purposes	37;352	18,169
Rate differences between UK current and deferred tax	18,649	-
Total tax charge	1,795,787	270,433

Deferred tax movement during the year:	At 1 April 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

Deferred tax movement during the prior year:	At 1April 2017	Recognised in income	At 30 April 2018
	£	£	£
Accelerated tax depreciation	1,875,443	-185,828	1,689,615
Revaluation of property	-176,555	2,152	-174,403
Net tax assets/(liabilities)	1,698,888	-183,676	1,515,212

Deferred tax assets and liabilities at 31 March 2019 have been calculated based on the rates substantively enacted at the balance sheet date. The UK Finance Bill 2016 provides for reductions in the UK corporation tax rate from 19% to 17% from 1 April 2020; this rate became substantively enacted on 6 September 2016.

9 Tangible assets

	Land and buildings £	Furniture Fittings and Equipment £	Total £
Cost or valuation			
At 1 April 2018	5,199,466	11,984,606	17,184,072
Additions	43,982	757,682	801,664
Reclassification to Intangible	-	-68,584	-68,584
At 31 March 2019	5,243,448	12,673,704	17,917,152
Depreciation			
At 1 April 2018	376,084	5,192,112	5,568,196
Reclassification in Year	46,556	-53,230	-6,674
Charge for the year	204,448	900,805	1,105,253
Eliminated on disposal	-	-	-
At 31 March 2019	627,088	6,039,687	6,666,775
Carrying amount			
At 31 March 2019	4,616,360	6,634,017	11,250,377
At 31 March 2018	4,823,382	6,792,494	11,615,876

The accumulated depreciation on certain furniture, fittings and equipment was recategorised as land and buildings during the period. Further, certain assets were recategorised to software during the period.

Pledged as security
Property with a carrying amount of £2,264,196 (2018 - £2,321,000) has been pledged as security for the group pension scheme.

10 Intangible assets

	Software £	Goodwill £	Total £
Cost or valuation			
At 1 April 2018	-	5,200,870	5,200,870
Reclassification from Tangible Fixed Assets	68,584	-	68,584
At 31 March 2019	68,584	5,200,870	5,269,454
Amortisation			
At 1 April 2018	-	1,820,308	1,820,308
Reclassification from Tangible Fixed Assets	20,721	-	20,721
At 31 March 2019	20,721	1,820,308	1,841,029
Carrying amount			
At 31 March 2019	47,863	3,380,562	3,428,425
At 31 March 2018	-	3,380,562	3,380,562

Certain software assets were recategorised from furniture, fittings and equipment during the period.

11 Stock

	2019 £	2018 £
Raw materials and consumables	811,740	891,514
Finished goods and goods for resale	2,409,850	2,970,963
Total stock	3,221,590	3,862,477

The cost of stock 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 stock recognised as an income in the year is £167,508, (2018 expense - £181,161).
This is included within cost of sales.

12 Trade and other debtors

	2019 £	2018 £
Trade debtors	3,210,933	2,653,932
Debtors from related parties	874,921	1,668,816
Prepayments and accrued income	561,628	699,923
Other debtors	361,111	592,722
Total current trade and other debtors	5,008,593	5,615,393

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 2019 was determined as follows for trade receivables:

	2019 Gross carrying amount £	Loss allowance £	Expected loss rate %	2018 Gross carrying amount £	Loss allowance £	Expected loss rate %
Not past due	2,703,688	-	0.0%	2,016,488	-	0.0%
Past due 0 - 30 days	350,144	-	0.0%	600,697	-	0.0%
Past due 31 - 60 days	65,995	-	0.0%	6,579	-	0.0%
Past due 61 - 120 days	57,009	-	0.0%	10,758	-	0.0%
More than 120 days	34,097	-	0.0%	19,410	-	0.0%
	3,210,933	-	0.0%	2,653,932	-	0.0%

The movement in the allowance for impairment in respect of trade receviables and contract assets during the period was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

	2019 £	2018 £
Balance at 1 April per IAS 39	-	-
Adjustment on initial application of IFRS 9	-	-
Balance at 1 April per IFRS 9	-	-
Amounts written off	-	-
Net measurement of loss allowance	-	-
Balance at 31 March	-	-

13 Contract assets

	2019 £	2018 £
Contract assets - see note 3	100,479	-
Total contract assets	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.

14 Cash and cash equivalents

	2019 £	2018 £
Cash at bank	435,800	1,129,096
Bank overdrafts	-404,030	-3,597,611
Total cash and cash equivalents	31,770	-2,468,515

15 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No.	2018 £
Ordinary of £1 each	1,000,001	1,000,001	1,000,001	1,000,001

16 Loans and borrowings

	2019 £	2018 £
Current loans and borrowings		
Bank overdrafts	404,030	3,597,611

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.
The company's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.
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%.

17 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2019 £	2018 £
Within one year	441,816	447,085
In two to five years	1,282,592	1,571,597
In over five years	310,339	421,966
	2,034,747	2,440,648

The amount of non-cancellable operating lease payments recognised as an expense during the year was £582,376 (2018 - £469,629)

18 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 £268,935 (2018 - £251,108).

Contributions totalling £58,945 (2018 - £22,273) were payable to the scheme at the end of the year and are included in creditors.

19 Site closure

	Other provisions £	Total £
At 1 April 2018	484,412	484,412
Decrease in existing provisions	-150,957	-150,957
At 31 March 2019	333,455	333,455
Non-current liabilities	-	-
Current liabilities	333,455	333,455

Of the £484,412 provision brought forward at 31 March 2018, £150,957 was used in the year in respect of the closure of the Burgess Hill property.

20 Trade and other creditors

	2019 £	2018 £
Trade creditors	1,713,303	1,774,372
Accrued expenses	658,107	954,683
Amounts due to related parties	21,483,827	19,950,353
Social security and other taxes	176,531	170,202
Other creditors	147,571	1,234,332
Contract liabilities	289,435	-
	24,468,774	24,083,942

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

21 Commitments

Capital commitments
The total amount contracted for but not provided in the financial statements was £76,750 (2018 - £353,500).

22 Contingent liabilities

The company has provided cross guarantees in respect of certain bank overdrafts of other Carclo PLC subsidiary undertakings. At 31 March 2019 the overdraft facilities amounted to £17,000,000 (2018 - £15,000,000) of which £13,700,000 (2018 - £6,981,000) had been utilised.

The company has also provided an upstream guarantee to the parent company, Carclo PLC, in respect of certain bank loan and overdraft facilities. At 31 March 2019 the total bank facilities available to the parent company amounted to £30,000,000 (2018 - £30,000,000) of which £29,900,000 (2018 - £29,253,000) had been utilised.

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

23 Exceptional items

An exceptionals release of £284,366 was made to the P & L of which £268,000 was a provision release recognised in the year in respect of an onerous property lease.
A charge to exceptionals was made for £918,038 to provide against an related party debtor with Wipac Ltd.

24 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