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# IN SUMMARY

Carclo plc is a technology led plastics group. It is a public company whose shares are quoted on the London Stock Exchange.

Two thirds of sales are derived from the supply of fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products. This business, Carclo Technical Plastics, operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

A third of sales are derived from the supply of specialised precision products to the premium automotive and aerospace industries. Carclo is a leader in the development of high power LED lighting for supercars.

Carclo's strategy is to develop new technologies and products to drive future growth. Its investment in Conductive Inkjet Technology is at the heart of the newly emerging market for very low cost printed electronics.

The highlights for the year to 31 March 2011 are summarised below –

- Encouraging financial results and excellent strategic progress
- Profit before tax increased by 46.5% to £6.8 million
- Earnings per share increased by 62.7% to 9.6 pence
- Total dividend increased by 10% to 2.2 pence per share
- Underlying operating profit growth of 14.3% by Technical Plastics
- Conductive Inkjet Technology ("CIT") is set to scale up manufacture of fine line touch sensors for smartphones
- Carclo Diagnostic Solutions ("CDS") has been formed to hold and exploit the IPR which we have developed in support of Platform Diagnostics

Commenting on the results, Christopher Ross, chairman, said -

*"Carclo has made good progress in the year to 31 March 2011 with encouraging financial results and excellent strategic progress."*

*Opportunities for further growth in our medical, LED optics and supercar lighting businesses and current developments at both CIT and CDS give the board confidence in delivering another year of progress for shareholders."*

## Forward looking statements

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



# CHAIRMAN'S STATEMENT

## Overview

Carclo has made good progress in the year to 31 March 2011 with encouraging financial results and excellent strategic progress. The highlights in the year were -

- Encouraging financial results and excellent strategic progress
- Profit before tax increased by 46.5% to £6.8 million from improved trading and pension funding
- Earnings per share increased by 62.7% to 9.6 pence
- Total dividend increased by 10% to 2.2 pence per share
- In Technical Plastics, underlying operating profits grew by 14.3% to £5.0 million (2010 - £4.4 million) helped by increased sales of medical diagnostic and LED optical products
- In Precision Products, underlying operating profits reduced to £2.2 million (2010 - £2.6 million). Wipac was impacted early in the year by delays and start-up costs on several supercar lighting projects but, as expected, its second half was much stronger
- The focus at Conductive Inkjet Technology ("CIT") has been almost entirely on the fine line touch screen project with Atmel Corporation ("Atmel"). This month CIT will have a validated production process for the Gen 3 fine line touch screen technology
- Carclo Diagnostic Solutions ("CDS") has been formed to hold and exploit the IPR which we have developed in support of Platform Diagnostics

- We are in discussions with Ford to exit our volume automotive communications business over the next 12 to 18 months, allowing us to redeploy resources to accelerate the growth of our specialist LED lighting business

## Cash flow and funding

Net debt at 31 March 2011 was £19.1 million (2010 – £14.6 million). Group debt has increased due to higher capital expenditure in our medical and optical businesses, together with further capital investment and development expenditure to commercialise the touch screen project at CIT.

The group has total bank facilities of £31.6 million. Our £20.0 million committed facilities are due for renewal in a year's time, however, discussions have commenced with our banks to secure replacement facilities this year. The group continues to operate well within these facilities and associated bank covenants.

## Dividend

Reflecting the strong performance for the year and its confidence in the group's prospects, the board is recommending an increased final dividend of 1.5 pence per share. This gives a total dividend for the year of 2.2 pence per share (2010 – 2.0 pence) which represents an overall increase of 10.0%.

Subject to shareholder approval, dividend payments will be paid on 23 September 2011 to shareholders on the register at close of business on 19 August 2011. The shares will be traded excluding the right to the dividend from 17 August 2011.

## Employees

I would like to thank all those employed by Carclo in the year under review for their significant contribution.

ENCOURAGING  
FINANCIAL  
RESULTS AND  
EXCELLENT  
STRATEGIC  
PROGRESS



# CHAIRMAN'S STATEMENT CONTINUED

## The board

Last year, the board outlined proposals to extend the service contract of Carclo's chief executive, Ian Williamson, to enable him to continue the development of Carclo and, specifically, to oversee the commercialisation of CIT. Ian stood for re-election at the 2010 annual general meeting to allow shareholders to vote on the extension of his employment contract to March 2013 and he was duly re-elected. The board has now commenced discussions on succession planning which will result in the appointment of a new chief executive on Ian's retirement.

There are no directors falling due for re-election at this year's annual general meeting.

## Outlook

The year to 31 March 2011 was another period of progress for the group, and there are several initiatives under development which will further benefit the current year.

Our medical and LED optics businesses continue to identify opportunities for further growth which will support increased profitability in the Technical Plastics division.

In Precision Products, Wipac is set to benefit from improving productivity on current supercar lighting programmes and from design and development revenues on new programmes. With our planned exit from the communications programme we will be able to deploy further resources to accelerate the expansion of our specialist LED lighting business.

Trading at our aerospace businesses is stable, profitable and cash generative.

Later this year Conductive Inkjet Technology is set to scale up production of touch sensors based on its fine line technology, potentially driving significant revenue growth under its commercial agreement with Atmel.

The formation of Carclo Diagnostic Solutions and the increased investment in this technology platform provides an exciting opportunity for Carclo to grow its business in diagnostic devices.

These developments taken together give the board confidence in delivering another year of progress for shareholders.

Christopher Ross

7 June 2011



A new sensor for testing heat rate and other vital signs has been developed with Carclo Technical Plastics

These developments taken together give the board confidence in delivering another year of progress for shareholders.

# CHIEF EXECUTIVE'S

## REVIEW

### Strategic development

In the last year there has been a significant change in how Carclo is viewed by the financial market. Shareholders and investors are looking increasingly at the transformational opportunity presented by Conductive Inkjet Technology's ("CIT's") Fine Line Technology in touch screen applications. This is understandable because the profit potential of this one opportunity alone exceeds Carclo's current profitability. I report on CIT's progress comprehensively later in this review.

But we do have substantial businesses in medical plastics, LED optics and high end LED lighting. These businesses are growing strongly and, with the right strategic focus, will continue to deliver the core growth for the group. Over the last 12 months we have been looking to refine our strategy to bring greater resources to the development of our LED businesses and to increase the Intellectual Property Rights ("IPR") content of our medical plastics business.

Wipac has two main business streams. The first, LED lighting for supercars, is growing very rapidly and we see further growth in the supercar niche, and new opportunities to use our technology in other evolving LED lighting markets. The second business stream, the supply of antennas and cables to Ford Europe, is our last remaining volume automotive activity. This business is not growing and faces challenging pressures on costs. We are in discussion with Ford on an orderly exit from the business over the next 12 to 18 months. We will redeploy the capital and, perhaps more critically, the management resource to accelerate the growth of our specialist LED lighting business.

We have also formed Carclo Diagnostic Solutions Limited ("CDS") to hold and exploit the IPR that we have developed in support of Platform Diagnostics Limited ("PDL"). Using the best of CIT's technology and our

know-how in microfluidics, we have developed, for PDL, a highly innovative single-use quantitative diagnostic test platform. The solutions have wide application in the Point-of-Care diagnostic market. Our intention is to offer these innovations to our existing and potential customers in the medical diagnostics markets as part of our global contract manufacturing capabilities. Carclo will retain manufacturing rights to all devices based on the CDS IPR and know-how.

As an example of this business model, we have announced a partnership with EKF Diagnostics Limited ("EKF") to use the CDS platform for their Argutus Medical kidney function markers. We are in discussion with other potential partners on a much broader range of assays.

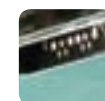
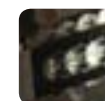
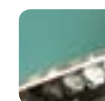
Our ongoing investment in CIT and our focus on LED lighting and the CDS investment in Carclo Technical Plastics, show our continuing commitment to owning the technology and IPR in our major business segments.

### Conductive Inkjet Technology

CIT's technology enables high speed printing or patterning of pure metallic circuits on plastic film.

There are four very large emerging markets for our technology -

- Printed electronics – especially roll-to-roll production of very low cost electronic circuits
- Touch sensors – replacing expensive Indium Tin Oxide ("ITO") sensors used in smartphones
- Organic LED lighting devices – as a low cost high efficiency transparent electrode (again replacing ITO)
- Organic photovoltaic devices – also as a high efficiency transparent electrode



# CHIEF EXECUTIVE'S

## REVIEW CONTINUED

The most immediate opportunity is the touch sensor market. In December 2009 we announced a partnership with Atmel Corporation ("Atmel") to bring CIT's fine line technology to market as an improved touch sensor. Atmel is a leading provider of touch microcontrollers for the smartphone market. The Atmel partnership was further extended in December 2010. Our agreement with Atmel gives them exclusive access to our technology in return for significant up-front financial payments and demanding volume and revenue targets.

Over the last 6 months we have supplied significant quantities of touch sensors to assemblers and leading producers of smartphones and customer feedback is excellent. We can now consistently produce and test touch sensors, at speed and at high yield, on a roll-to-roll web-based process. During this period, almost the entire CIT team has been focussed on delivering a validated production process for the Gen 3 fine line touch screen technology, which will be completed later this month. Gen 3 is capable of delivering very narrow line widths using patented processes, which substantially eliminate reflectivity. The product is performing better in terms of appearance, transmissibility and conductivity than conventional ITO based sensors.

The production of ITO sensors is very difficult and yields can be low and subject to variation. The CIT process is capable of consistently high yields and we are working closely with Atmel to refine our process controls to standards developed in the semiconductor industry. We are fortunate in having a partner who leads the industry in this regard.

For good commercial reasons our agreement with Atmel limits what both parties can say about specific commercial developments based upon our technology. However, we are able to say that we have received an early nomination for a new concept smartphone. We expect to achieve first production before the end of 2011, and volume of production to increase rapidly thereafter. Planning is well advanced for production scale-up, with key equipment already on order.

We have started to plan for a new CIT facility to produce the high volumes of photosensitive film which will be required to keep pace with the expected demand. We plan to have the new facility in place by mid-2012.

The market for touch applications continues to grow faster than any forecast. Touch screens have changed the way we interface with devices such as smartphones and tablets – and yet today, the ITO touch sensor is expensive and inflexible, and there is finite production capacity, which is insufficient to meet demand. Atmel is the market leader in touch microcontrollers and is exceptionally well placed to capitalise on the strengths and advantages of the CIT solution.

Our involvement in printed electronics has continued to expand. In the last 12 months we have produced over 20 km of printed product and shipped well over 4 million RFID tags and devices. One of our RFID customers intends to install an in-house MetalJet 6000 facility in 2012. The CIT processes have also been released for flexographic printers and we have two partnerships developing their own printed products using our inks and processes.

Our collaborative projects with Cambridge Display Technology Limited ("CDT") (organic LED lighting) and Eight19 Limited (organic photovoltaic) are making good progress. The CDT project is now moving into a commercial exploitation phase.



## Carclo Diagnostic Solutions

Three years ago we established a joint project with BBI Holdings plc ("BBI") to develop a low cost immuno-assay based on technology developed by a venture capital backed company, Platform Diagnostics Limited ("PDL"). BBI contributed the assay chemistry which was initially aimed at a test for D-dimer, an indicator of deep vein thrombosis. Carclo contributed the hardware development - precision moulded microfluidics, mechanical design and an innovative low cost reader based on the CIT technology. This development was completed at the end of 2010. Carclo's investment over the life of the project was £0.7 million. The joint project successfully demonstrated a low cost, single use, Point-of-Care quantitative test for D-dimer.

Carclo retained ownership of the patents and IPR related to the hardware platform and the low cost reader. It is apparent that this technology has application across a broad range of Point-of-Care diagnostic tests and is not limited to use with PDL's Capillary Agglutination Technology ("CAT"). Accordingly, we have formed Carclo Diagnostic Solutions to hold the intellectual property rights and to offer access to this innovative platform. CDS has also taken an exclusive licence on PDL's technology and will invest £0.5 million over the next 12 months to expand the range of assays applicable to the CAT technology. We plan to invest an additional £0.5 million directly in CDS to develop the hardware platform for use with industry standard ELISA assays.

We have entered into a partnership with EKF to bring their Argutus Medical kidney markers to market in this innovative format. We are exploring further partnerships with other key players in the diagnostic market. We do not plan to enter the diagnostic market directly, nor to develop or own the bio-chemistry behind the assays. However, we will retain manufacturing rights for devices based on our IPR to underpin the continued growth of Carclo Technical Plastics.

## Operating overview

	Carclo Technical Plastics		Carclo Precision Products	
	2011	2010	2011	2010
Revenue	<b>£55.8m</b>	£51.1m	<b>£33.1m</b>	£30.5m
Underlying operating profit *	<b>£5.0m</b>	£4.4m	<b>£2.2m</b>	£2.6m
Net assets	<b>£50.8m</b>	£49.3m	<b>£15.8m</b>	£15.3m
Underlying operating margin	<b>9.0%</b>	8.6%	<b>6.7%</b>	8.7%
Return on capital employed *	<b>9.9%</b>	8.9%	<b>13.9%</b>	17.3%
Average number of employees	<b>763</b>	686	<b>282</b>	284

\* before rationalisation costs, exceptional pension credits and property profits.



## Carclo Technical Plastics

Sales increased by 9.1% to £55.8 million, with underlying operating profits increasing by 14.3% to £5.0 million. We remain fractionally short of our target operating margin of 10%, but the continued focus on medical and LED optics should deliver continuing improvements in underlying margins. Growth came mainly from medical diagnostics customers and from our proprietary LED optics where sales increased by 26.8% to £3.5 million.

The strongest performances came in the US and the UK – the US benefiting especially from growth in medical diagnostics and the UK from a combination of LED optics growth and initial volumes on a new medical inhaler contract. Our new operation in Bangalore delivered an excellent result. Our Czech operation, which has been mainly involved in production for the professional electronics sector, won its first medical/optical contract.

# CHIEF EXECUTIVE'S

## REVIEW CONTINUED

We re-commissioned a mothballed facility in Scotland as a new clean facility for large optics, and extended our new factory in Bangalore. This is the first year for some time that we have added capacity in Technical Plastics, and as a consequence capital expenditure increased to £3.4 million (2010 - £1.8 million).

We continue to win new business globally, but in the second half of the year there was a marked shift away from China in terms of new enquiries. We are seeing more interest in shorter supply chains – particularly in the US – and we expect this trend to continue. For our facility in China we expect new business to come increasingly from supporting our global customers in accessing the local Chinese market as opposed to using China as a low cost manufacturing base for export. In India, our new facility – which has been equipped from the outset for medical and optical business, has generated a number of new business enquiries mostly for products required within the Indian market.

The LED business unit has been particularly successful in adding global distributors – in the last 12 months we have announced new distribution agreements with Arrow Electronics Inc and Digi-Key Corporation to add to our longstanding relationship with Future Electronics. We see good growth opportunities in India and have added LED technical and sales support in Bangalore. We will replicate this approach in China later this year.

### Carclo Precision Products

Sales in Carclo Precision Products increased by 8.5% to £33.1 million, but the operating profit fell £0.4 million below the prior year to £2.2 million giving an operating margin of 6.7% (2010 – 8.7%).

This was a year of transition for our fast growing supercar LED lighting business. In the prior year, we benefited from significant design and development revenues as the new lighting systems were completed. This year the focus switched to production with a very substantial uplift in lighting product sales. Sales in the fourth quarter (January to March 2011) ran at four times the level of the prior year. We did incur some start-up costs on these new programmes which mostly affected the first half of the year. Second half profitability, as expected, recovered strongly.

We see many further opportunities to exploit our technical skills and market position in high end LED lighting. During the year, we developed, with a commercial partner, a very high efficiency street lighting unit using our state of the art compound optics which is now on trial in a high profile location in London. Growth in the Wipac business will be focused on such LED niche applications.

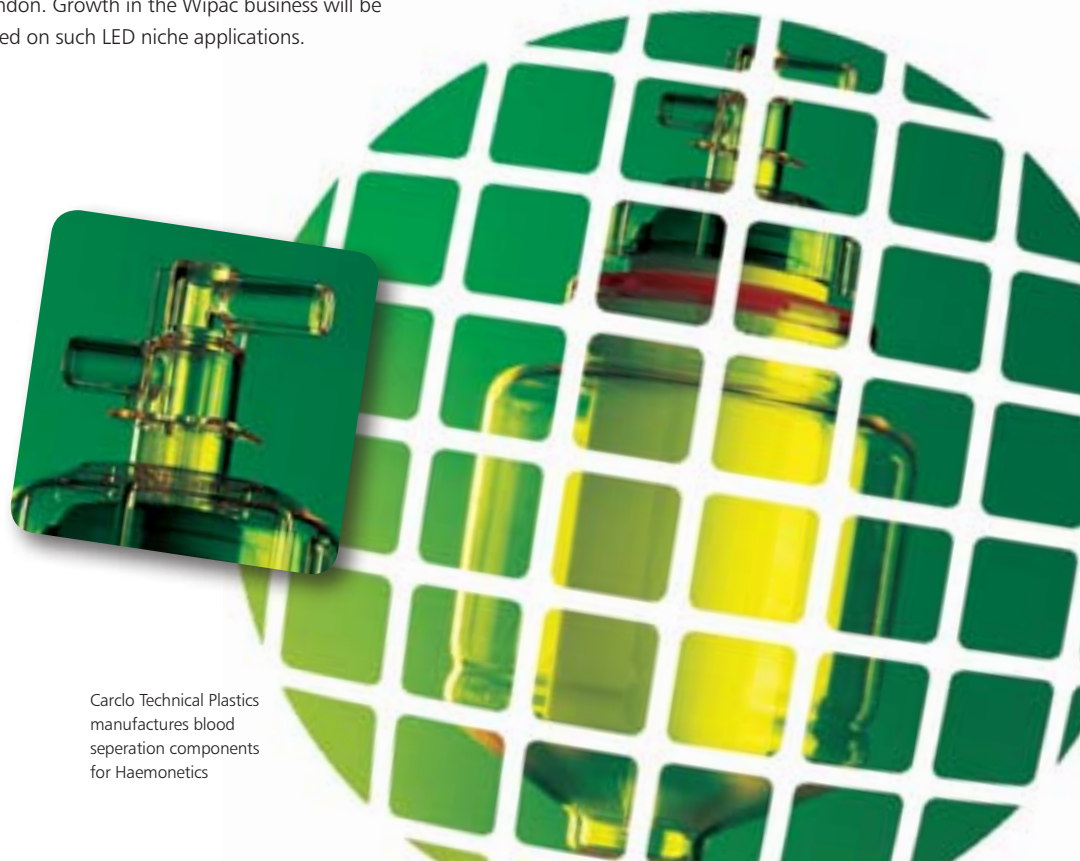
Over the next 12 to 18 months we expect to withdraw from the supply of antennas and cables to Ford Europe. This is our last involvement in volume automotive products – once a major activity for the group. Last year we shipped approximately £8.0 million of product to Ford, but we are confident that the capital and management resource will be more effectively applied in growing our LED activities.

The aerospace businesses performed well with improved profits and excellent cash generation from largely unchanged sales. We expect these businesses to continue to grow modestly over the next couple of years.

Ian Williamson  
7 June 2011

The LED group has been particularly successful in adding global distributors.

Carclo Technical Plastics manufactures blood separation components for Haemonetics



# DIRECTOR'S FINANCE



## REVIEW

Financial summary	2011 £million	2010 £million
Revenue	88.6	81.2
Divisional operating profit	7.2	7.0
Unallocated	(1.3)	(1.3)
Underlying operating profit from continuing operations	5.9	5.7
Exceptional items	0.2	(0.3)
Net bank interest	(0.3)	(0.4)
IAS 19 net financing credit / (charge)	1.0	(0.4)
Profit before tax	6.8	4.6
Income tax expense	(0.8)	(0.9)
Loss on discontinued operations	(0.1)	(0.2)
Profit attributable to ordinary shareholders	5.9	3.5
Ordinary dividend	(1.3)	(1.2)
Surplus for the year	4.6	2.3
Divisional operating margin from continuing operations	8.2%	8.6%
Basic earnings per share	9.6p	5.9p
Underlying earnings per share	9.6p	6.6p

THE GROUP  
HAS A VERY  
SECURE LEVEL  
OF HEADROOM  
ON ITS BANK  
COVENANTS

Group turnover from continuing operations was £88.6 million (2010 – £81.2 million). Revenues in Technical Plastics increased by £4.7 million whilst revenues in Precision Products increased by £2.6 million. Divisional operating profit was £7.2 million (2010 - £7.0 million) and underlying operating profit from continuing operations was £5.9 million (2010 - £5.7 million). Unallocated costs, comprising mainly central costs, were £1.3 million (2010 - £1.3 million).

As anticipated, divisional operating profits in the second half of the year exceeded profits for the first half of the year. The group's first half was impacted by a weaker performance at Wipac where the production ramp up in its supercar lighting programmes was affected by delays and start up costs. Wipac delivered a much stronger second half as these programmes reached target volumes and cost variances were managed.

# FINANCE DIRECTOR'S REVIEW CONTINUED

Profit before tax was £6.8 million (2010 - £4.6 million), an increase of 46.5% on the prior year. An exceptional credit of £0.2 million (2010 – charge of £0.3 million) is made up of a £0.5 million pensions credit generated by the group's pension liability programme partially offset by £0.3 million of rationalisation costs related to the transfer of a number of large optical programmes from the group's Buckingham facility to its Scottish Technical Plastics business.

Net bank interest was £0.3 million (2010 - £0.4 million). Profit before tax was increased by a £1.0 million pensions net financing credit in compliance with the provisions of IAS 19 "Employee Benefits". In the previous year a net financing charge of £0.4 million was booked. This reversal has occurred as a consequence of the increase in equity markets and pension investment values during the period to 31 March 2011.

The group tax charge for the year was £0.8 million (2010 - £0.9 million). This equates to an effective tax rate of 11.4%, well below the applicable UK corporation tax rate of 28%. This is due mainly to the recognition and utilisation of prior period losses and the reduction in the UK headline rate of corporation tax to 26% resulting in a reduction in deferred tax liabilities.

Basic earnings per share increased to 9.6 pence (2010 – 5.9 pence) and underlying earnings per share also increased to 9.6 pence (2010 – 6.6 pence).

A loss on disposal of discontinued operations of £0.1 million (2010 - £0.2 million) was charged to the income statement and this cost results from the group's remaining surplus property.

The profit attributable to ordinary shareholders was £5.9 million (2010 - £3.5 million). The board is recommending a final dividend of 1.5 pence per ordinary share (2010 – 1.35 pence).

## Net debt and gearing

	2011 £million	2010 £million
Underlying cash flow	8.9	6.4
Interest and tax	(0.8)	(0.8)
Capital expenditure	(7.0)	(2.8)
Free cash flow	1.1	2.8
Pension payments above regular cost	(1.6)	(1.9)
Non recurring	(0.5)	0.2
Proceeds from issue of share capital	0.2	4.4
Performance share plan awards	(0.4)	–
Equity dividends	(1.2)	(1.1)
Cash flow from corporate activities	(2.4)	4.4
Development expenditure	(2.1)	(1.2)
Acquisitions and disposals	(0.2)	(0.4)
Exchange movement	0.2	0.5
(Increase) / decrease in net debt in year	(4.5)	3.3

Net debt comprises interest bearing loans and borrowings less cash and cash deposits.

Net debt increased in the year to £19.1 million (2010 - £14.6 million). This represents gearing of 31.3% (2010 – 24.8%) after excluding the net pension deficit.





The most significant impact on net debt during the year was the high level of group capital expenditure at £7.0 million (2010 - £2.8 million). This reflects the substantial investment in the fine line production line at our Cambridge facility and a significant level of investment in moulding machines at our medical facilities and clean room facilities at our UK medical plant to support new business.

Underlying cash flow from operations was £8.9 million (2010 - £6.4 million). Free cash flow was £1.1 million (2010 - £2.8 million).

Pension contributions of £1.6 million (2010 - £1.9 million) above the regular pension cash cost were made during the year. This amount included the annual recovery plan payment of £0.9 million, as well as scheme administration costs and the Pension Protection Fund levy which are borne by the company.

Non recurring cash outflows were £0.5 million (2010 - £0.2 million inflow) and this amount related primarily to the run off costs of the Slough facility where our lease obligations ended in December 2010.

Development expenditure of £2.1 million (2010 - £1.2 million) was capitalised during the year. The majority of this expenditure related to additional costs incurred by CIT to achieve a validated production process for capacitive touch screens at our Cambridge facility.

### Financing

At 31 March 2011 the group's net debt was £19.1 million. The group has total bank facilities of £31.6 million. The committed facilities expire on 29 June 2012 and we have commenced discussions with our banks to renew these term loan facilities and we expect to announce an agreement on this in due course. The two main covenants in the facility agreements are interest cover and the ratio of net debt to EBITDA and the group has a very secure level of headroom on both of these covenants as at 31 March 2011.

Under the facility agreements the group's lending banks hold security over the current assets of its three main UK trading subsidiaries and as at 31 March 2011 the value of this security was £22.1 million (2010 - £21.2 million).

### Pensions

As at 31 March 2011 the pension deficit, as calculated under the provisions of IAS 19 "Employee Benefits", was £6.7 million, net of deferred tax (2010 - £14.5 million). The fair value of the plan assets increased to £148.4 million (2010 - £141.9 million) whilst the defined benefit pension obligation reduced to £157.5 million (2010 - £162.0 million) The net pensions deficit has decreased as a result of the performance of the scheme assets, contributions paid, and an actuarial gain due to the statutory change to CPI for the revaluation of certain pensions in deferment which was booked directly to reserves.

The IAS 19 current service cost for the year was £0.2 million (2010 - £0.2 million). The group income statement also includes an exceptional credit of £0.5 million in respect of retirement benefits. £0.4 million of this amount is a reduction in past service costs as a result of the group's liability management programme. £0.1 million relates to a curtailment gain as a result of the closure of the scheme to future benefit accrual on 30 September 2010.

The group income statement also reflects an IAS 19 financing credit of £1.0 million (2010 - charge of £0.4 million). This amount reflects the difference between the interest charged on the pensions scheme liability and the expected return on the pension scheme assets. We expect a similar level of financing credit in the current financial year.

The cash cost of employer pension contributions during the year was £0.2 million. An additional £1.6 million was paid into the pension scheme during the year and this included the annual additional contribution of £0.9 million under the four year recovery plan and £0.7 million of scheme administration costs.

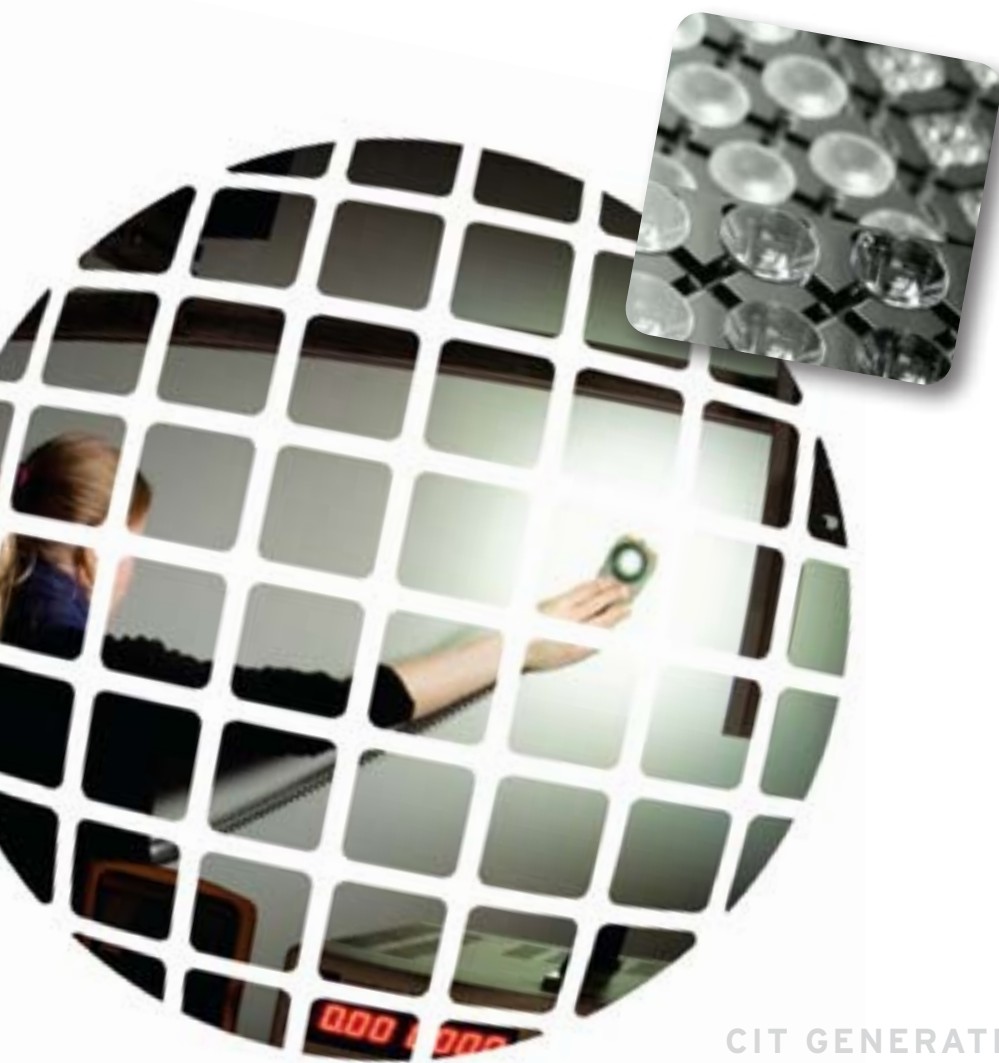
At 31 March 2011 group properties with a net book value of £6.7 million and cash of £1.2 million were subject to a registered charge in favour of the group pension scheme.

During the year the group elected to cease future accrual for existing members of the defined benefit scheme and most members have elected to transfer into the group's defined contribution scheme.



# FINANCE DIRECTOR'S

## REVIEW CONTINUED



### Conductive Inkjet Technology ("CIT")

The total amount of development expenditure capitalised during the year in respect of CIT was £1.4 million (2010 - £1.2 million). In addition, CIT also incurred £1.1 million (2010 - £0.4 million) on capital expenditure, the majority of which related to the installation of the production line for capacitive touch screens at our Cambridge facility.

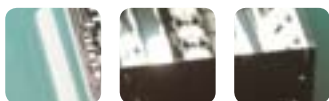
The group balance sheet now includes intangible assets totalling £14.8 million in respect of CIT and £7.8 million of this amount is capitalised research and development funded by the group. The remaining £7.0 million relates to the fair value assigned to patents and goodwill, which has arisen from the accounting treatment of the acquisitions of the minority holdings from our original joint venture partner. The group's policy is to amortise these intangibles on a straight line basis over the estimated economic life of the intangible asset which is judged to be a period of up to 12 years from the date upon which the patent or related development expenditure enters commercial production. During the year amortisation of £0.2 million (2010 - £0.1 million) was charged to the income statement.

CIT generated revenues of £0.5 million during the year and we expect revenues and amortisation charges to increase this year as the production of touch screens begins to ramp up.

Robert Brooksbank

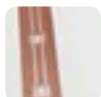
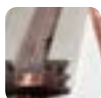
7 June 2011

CIT GENERATED REVENUES OF £0.5 MILLION DURING THE YEAR AND WE EXPECT REVENUES AND AMORTISATION CHARGES TO INCREASE THIS YEAR AS THE PRODUCTION OF TOUCHSCREENS BEGINS TO RAMP UP



# DIRECTORS

## AND ADVISERS



### Directors

- \* Christopher Ross – chairman
- Ian Williamson – chief executive
- Robert Brooksbank
- \* Michael Derbyshire
- \*† Bill Tame
- \*non executive*
- †senior independent director*

### Secretary

Eric Cook

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### External Auditors

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### Internal Auditors

Mazars LLP  
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### Bankers

HSBC Bank plc  
Lloyds TSB Bank Plc

### Solicitors

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Registered Company Number: 196249

## DIRECTORS' REPORT

The directors submit their eighty eighth annual report together with the accounts for the year ended 31 March 2011.

### Principal activities

The group's activities are shown on page 71.

### Review of the business, events since the year end and future developments

The statutory information required concerning the review of the business, key performance indicators, events since the year end and future developments is contained in the "Overview" and "Outlook" sections of the chairman's statement, the "Strategic development" and "Operating review" sections of the chief executive's review and the "Financial summary" section in the finance director's review on pages 5 to 14. The directors' review of risks faced by the group is detailed on pages 20 to 22.

### Profits and earnings

The profit of the group before taxation after crediting net interest of £629,000 (2010 – charge of £828,000) amounted to £6,772,000 compared with a profit of £4,623,000 for the previous year. After taxation the profit per ordinary 5 pence share was 9.6 pence compared with 5.9 pence for the previous year.

### Dividends

The directors recommend that a final dividend of 1.5 pence be paid (2010 – 1.35 pence), making a total dividend for the year of 2.2 pence (2010 – 2.0 pence).

### Employment of disabled persons

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of

the applicant concerned. If an employee becomes disabled he or she continues to be employed, wherever possible, in the same job. If the degree of disablement makes this impracticable, every effort is made to find suitable alternative employment and to give appropriate training. The group's policy on training and career progression applies equally to everyone within the group, whether or not he or she is disabled.

### Employee consultation

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed of matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, circulation of the annual accounts and updating group websites. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### Donations

During the financial year the group made no charitable or political donations.

### Suppliers

It is the company's and group's policy to abide by the terms of payment agreed with suppliers in respect of all goods and services properly invoiced to the company and group. The terms may be the suppliers' standard terms or such other agreed terms for specific transactions as appropriate. The number of days purchases in creditors at 31 March 2011 for the holding company was 34 (2010 – 21).

### Shareholders

At 31 March 2011 the company had 1,688 ordinary shareholders. Their holdings are analysed as follows -

	Number of shareholders	% of shareholders	% of shares in issue		% of shares in issue
<b>Number of shares</b>				<b>Category of shareholders</b>	
1 – 50,000	1,584	94	10	Institutions	84
50,001 – 100,000	31	2	3	Directors	2
100,001 – 500,000	46	3	16	Others	14
Over 500,000	27	1	71		
	1,688	100%	100%		100%

## DIRECTORS' REPORT CONTINUED

### Substantial holdings

The directors are aware of the following holdings of the company's issued ordinary share capital as at 18 May 2011 –

Ruffer LLP	7,782,850	12.64%
Henderson Global Investors	5,987,591	9.73%
Schroder Investment Management	4,457,136	7.24%
J P Morgan Asset Management	4,018,689	6.53%
Standard Life Investments	3,075,359	4.99%
Legal & General Investment Management	2,401,034	3.90%
Barclays Private Bank	2,012,703	3.27%
M&G Investment Management	1,925,659	3.13%

### Directors

The directors at the date of this report are listed on page 15.

There are no directors retiring by rotation in 2011.

### Biographies of directors

#### Christopher Ross FEng Age 66

A non executive director from September 2003 and appointed group chairman on 1 January 2006. He is a chartered engineer and a Fellow of the Royal Academy of Engineering. He is currently deputy chairman of Manganese Bronze Holdings plc and a non executive director of The Electric Car Corporation Plc and Chargemaster Plc. He was previously chief executive of Molins plc and Ricardo plc.

#### Robert Brooksbank Age 45

Joined the group on 1 April 2004 as finance director. After obtaining an honours degree in biological sciences he qualified as a chartered accountant with Ernst & Young in London and Moscow. He joined Enron Europe in 1995 before becoming a director of his family firm, Brooksbank Industries Limited in 1997.

#### Ian Williamson Age 60

A director since 19 June 1995, he was appointed chief executive with effect from 1 July 1995. He was formerly chief executive of the engineering division of BBA Group PLC. He is a non executive director of Suprajit Engineering Limited, a manufacturer of automotive components, based in Bangalore, India.

#### Michael Derbyshire Age 63

A non executive director and chairman of the remuneration committee from 1 January 2006. He is also chairman of Radius Systems Limited. He is a chemical engineer and was previously chairman of Survitec Group Limited, Racal Acoustics Global Limited, Axell Wireless Limited and Allied Textiles Limited and chief executive of Whitecroft plc.

#### Bill Tame Age 56

A non executive director from 1 January 2006 and chairman of the audit committee and senior independent director from 1 April 2006. He is currently finance director of Babcock International Group plc and formerly worked for Courtaulds plc before moving to Scapa Group plc as group finance director.

### Interests of directors

Details of the interests of directors in the ordinary share capital of the company are included in the directors' remuneration report on pages 27 to 31.

### Going Concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chief executive's review on pages 7 to 10. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the finance director's review on pages 11 to 14. In addition note 25 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group has medium term loan facilities totalling £20.0 million with two UK banks. These five year multi-currency revolving credit facilities are due for renewal in 2012 and discussions have commenced with the banks to renew these term loan facilities. The group meets its day to day working capital requirements through overdraft facilities which are due for renewal in early 2012.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Environmental policy

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

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

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

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

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

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

### Explanation of business of the annual general meeting 2011

- a) The directors' remuneration report is required to be laid before the shareholders in general meeting and approved by ordinary resolution of the shareholders. The report can be found on pages 27 to 31 of the company's annual report 2011 (resolution 2).
- b) A resolution to re-appoint KPMG Audit Plc as the company's auditors will be put to the members at the annual general meeting (resolution 4A).
- c) The directors have the power to allot shares in accordance with section 551 of the Companies Act 2006, with the authority of an appropriate shareholders' resolution. Hence, a resolution will be

## DIRECTORS' REPORT CONTINUED

proposed at the annual general meeting authorising the directors to allot ordinary shares of up to £1,026,078 nominal amount (equivalent to one third of the present issued ordinary share capital as at 7 June 2011) (resolution 5).

- d) The directors have the power in accordance with section 570 of the Companies Act 2006, to allot shares for cash, other than by way of a rights issue, as if section 561 of that Act did not apply, with the authority of an appropriate shareholders' resolution. Hence, a resolution will be proposed at the annual general meeting authorising the directors to allot ordinary shares of up to £153,912 in nominal amount for cash (being approximately 5% of the current issued ordinary share capital as at 7 June 2011 as if section 561 of the Companies Act 2006 did not apply) (resolution 6).
- e) Under section 701 of the Companies Act 2006 the company may, with the authority of an appropriate shareholders' resolution, purchase its own shares. The directors are seeking authority from the shareholders for the company to effect such purchases (resolution 7). Any such purchase would be made "on-market" (i.e. on the London Stock Exchange in the normal way). Any such purchase would be upon, and subject to, the following conditions -
- i) the maximum number of ordinary shares that may be purchased under this authority is 6,156,470 shares (being approximately 10% of the present issued share capital of the company as at 7 June 2011);
  - ii) the minimum price which may be paid for an ordinary share is the nominal value of the ordinary share;
  - iii) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the share is purchased; and
  - iv) this authority shall expire on 1 December 2012 or, if earlier, at the conclusion of the company's annual general meeting to be held in 2012.

There were outstanding at 7 June 2011, options to subscribe for 516,000 ordinary shares, representing 0.8% of the current issued share capital. If the full share purchase authority were utilised, the options outstanding would represent 0.9% of the issued share capital.

Shareholders should be assured that your directors will only exercise the power of purchase after careful consideration and being satisfied that, after taking account of other investment opportunities, such purchase would be in the interests of shareholders by increasing future earnings per share.

Shares purchased will, as required by the Companies Act 2006, be cancelled and will not be available for reissue or resale. Details of any purchases will be notified to the stock exchange and will appear in the next annual report of the company. During the year, no shares were purchased under the authority given at the 2010 annual general meeting.

- f) Finally, resolution 8 will seek shareholder approval to allow the company to call general meetings (other than annual general meetings) on 14 clear days' notice. The approval will be effective until the company's next annual general meeting, when it is intended that a similar resolution will be proposed.

Resolutions to implement the above authorities will be found in the notice of general meeting on pages 84 to 87 and the authorities would last until the annual general meeting in 2012 or on 1 December 2012 whichever is the earlier.

The directors believe that the adoption of all the resolutions set out in the notice of meeting dated 24 June 2011 is in the best interests of the company and its shareholders as a whole. Accordingly, the directors unanimously recommend that you vote in favour of the resolutions, as they intend to do in respect of their beneficial holdings.

By order of the board

Eric Cook  
Secretary  
7 June 2011

## DIRECTORS' REVIEW OF THE RISKS FACED BY THE GROUP

The management of Carclo actively seeks to identify and manage the risks to which the group is exposed. The main risks faced by the group, as determined by the directors, are -

### Global economy

The major economies throughout the world have recently gone into a sharp recession but are now showing some signs of stability. This introduced volatility and uncertainty in both the industries and customers served by the group and clearly increased the risk profile for all businesses.

Carclo's operational gearing is high and the biggest risk currently faced by the group would be a sharp reduction in demand if global economic output were to reduce. Carclo serves a number of markets, such as medical and supercar markets, which are detached from general consumer activity and have, so far, been largely unaffected by the global recession. Should demand be impacted in these markets, Carclo has a proven track record of acting swiftly to rebalance the supply base with demand.

### Reliance on major customers

The proportion of revenues generated from the top five customers in the year was 42.0% (2010 – 40.8%). One customer accounted for 15.8% of revenues (2010 – 15.6%). No other customer accounted for more than 10.0% of revenues in the year or prior year.

The major customers are blue-chip multi-nationals operating in the medical, teletronics and automotive markets. Focusing on key customers brings significant opportunities to develop in low cost regions and enhance the customers' products through our own technologies. However, the associated risk is the potential loss of such customers either through competitive pressures, relocation or insolvency. Such risks are mitigated through being able to offer world-class quality and costs, flexibility in manufacturing location and, in the case of insolvency, through the application of credit insurance across the group.

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

### Raw material sourcing

Carclo's businesses use 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 processed by the group. In the three years to 31 March 2011 oil prices peaked at US \$145 per barrel in 2008 before collapsing to a low of US \$34 per barrel in January 2009. Since then oil prices have been on a progressively rising trend during which continued throughout the last financial year and stood at US \$117 at 31 March 2011. This risk is managed in the main by negotiating pass through pricing whereby our customer accepts the risk of movements in base polymer prices.

The majority of our business within Technical Plastics operates on formal or informal pass through pricing arrangements. On the balance of business where Carclo takes the raw material price risk we aim, wherever possible, to agree longer term price contracts to mitigate the pricing risk.

### Global operations

Carclo has expanded into low cost regions. The risks associated with this are -

#### i) Management control

A centrally managed common information technology system is used throughout the group, which, combined with standardised operating procedures and pricing models, allows management oversight and investigation independent of location.

#### ii) Management cultural differences

Local knowledge of working practises and legislation is key to the success of global operations.

We undertake frequent visits to our global locations and pay particular attention to the recruitment of quality technical and financial staff. In low cost regions retaining staff against the background of a fast growing economy is a challenge.

We address this by ensuring an effective and efficient working environment, and by succession planning to ensure that we maintain continuity of trained staff.

## DIRECTORS' REVIEW OF THE RISKS FACED BY THE GROUP CONTINUED

### iii) Regulatory risk

Our global operations require us to be aware of all local compliance issues particularly within the spheres of transfer pricing, tax and repatriation of profits. This risk is managed centrally. Carclo uses both internal and external auditors and good quality locally based legal advice to keep up to date with changes in legislation and to identify and mitigate any potential regulatory issues.

### Energy costs

Over the last few years, energy costs in the UK have been volatile but stabilised during 2010 at below the peak levels seen in 2008. Carclo's operating businesses are not especially energy intensive but even so in the year ended 31 March 2011, Carclo's electricity costs amounted to £2.2 million (2010 - £2.1 million). Price decreases were offset by the increased manufacturing capacity at Harthill.

To mitigate the risk of price volatility, Carclo 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. For the main overseas companies, electricity prices are established on twelve month contracts.

### Innovation and investment in new technologies

Carclo invests in new technologies and proprietary know-how. Examples include -

- Conductive Inkjet Technology ("CIT")
- Platform Diagnostics ("Platform")
- new methodologies to surface coat optical plastics
- soluble polymers

These innovations and the development of new technology require a significant level of time and investment to advance the technology to a commercially viable application. The most advanced technology is CIT. The group currently has intangible assets of £14.8 million associated with the development of CIT's innovative process although Carclo's actual development expenditure in cash is just over half of this.

There is an inherent risk that such development work may ultimately not be commercially viable or may be attacked by competing technologies. Carclo aims to limit its risk by undertaking detailed financial and commercial due diligence of potential opportunities prior to investing. We prefer to co-invest with partners who have expertise in the field. Wherever possible development work is protected by a series of robust worldwide patents.

Where possible, funding for significant incremental investment is sought in advance of the investment. In December 2009 Carclo announced that it had entered into an agreement with Atmel Corporation ("Atmel") for the development and launch of an innovative new touch screen product based upon CIT's patented technology. Atmel have paid US \$1.0 million to help fund a new production facility which has been installed at CIT's premises in Cambridge.

The investment in Platform is also now well advanced. The carrying value of the investment and associated development expenditure stands at £1.0 million.

Whilst there are risks inherent with any development investment of this nature, the potential benefits are significant and this investment is necessary to remain competitive and drive the growth of the group.

### Pensions

Carclo's defined benefit pension scheme is very mature and large compared with the size of Carclo. The scheme is backed by substantial assets amounting to £148.4 million at 31 March 2011 (2010 - £141.9 million).

Small adjustments to the assumptions used to calculate the pension liability, or significant swings in bond yields or stock markets, can have a large impact in absolute terms on the net assets of the group. This has introduced an increased level of volatility to the group balance sheet and the impact of the net pension obligation on the level of distributable reserves is monitored on an ongoing basis.

A triennial valuation of the scheme was undertaken as at 31 March 2009 and, based on this valuation, the group agreed a revised recovery plan with the trustees. The recovery plan requires annual, index linked, contributions of £0.9 million to be made commencing 31 October 2010 for a period of 15 years.

## DIRECTORS' REVIEW OF THE RISKS FACED BY THE GROUP CONTINUED

In order to further reduce the risk associated with volatility of the scheme's liabilities, the group elected to cease future accrual with effect from 1 October 2010. This followed an extensive consultation process with the active members of the scheme. All members were invited to join the scheme's defined contribution section. The curtailment of future accrual generated a one off credit to the income statement of £0.1 million. In addition the group offered the option to eligible pensioners the option to switch from a pension with indexed linked pension increases to a higher fixed pension with no future increases. Out of 419 pensioners who were offered the option to switch to a fixed pension, 183 accepted. This has given rise to a one off credit to the income statement of £0.4 million.

### Funding and banking covenants

Medium term committed bank facilities have been agreed which include a number of financial covenants which are normal for facilities of this type. Whilst there is currently good headroom on the covenants, the board continue to monitor the forecast position monthly in order to ensure that adequate headroom is maintained. The facilities fall due for renewal in June 2012. Discussions are currently well advanced to renew and extend the facilities ahead of the renewal date.

### Foreign exchange exposure

Carclo is a global group with revenues in pounds sterling, Euros, US dollars, renminbi and Indian rupee. The group therefore faces a transaction risk as currencies fluctuate.

The group aims to manage transaction risk through a natural hedge, whereby sales revenues and costs in each currency across the group as a whole are matched as far as is practicable. The mismatch of transaction flows is small in the context of the total group revenues.

The group's policy is to hedge the major overseas assets by equivalent currency borrowings so that the balance sheet is not exposed unduly to significant fluctuations in currency. This is balanced against any associated treasury inefficiency associated with excessive currency borrowings. At 31 March 2011 the group had term loan borrowings of US \$10.6 million which are being used to hedge the assets held in the USA and €7.5 million which is used to hedge the assets in France and the Czech Republic.

Further details on the group's foreign currency exposures can be found in note 25 of the report and accounts.

### Information technology

The group now operates on a common centrally managed computer platform. This provides common reporting and control systems and the ability to manage and interrogate businesses remotely. However, there are associated risks, such as IT security, access rights and business continuity, with having all the group IT systems on a common platform.

These risks are mitigated by an increased focus on IT security by internal audit through the internal audit process and investment in IT facilities to maintain separacy and redundancy for the hardware and communications infrastructure.

## STATEMENT OF CORPORATE GOVERNANCE

### Combined Code

The company remains committed to the highest standards of corporate governance and manages its affairs in accordance with the 2003 FRC Combined Code on Corporate Governance ("the Combined Code") published in July 2003 and as revised in July 2006. The company has complied throughout the year with the provisions set out in the Combined Code except where noted on page 26. This statement, together with the directors' remuneration report, describes how the company has applied the main principles of the Combined Code. The FRC issued the new UK Corporate Governance Code in June 2010 which applies to accounting periods beginning on or after 29 June 2010. The company will report on its compliance with the specific provisions of the new code in next year's annual report.

### The Board

The board comprises the non executive chairman, the chief executive, the executive finance director and two other non executive directors, including W Tame who has been nominated as senior independent director. It is the board's opinion that all the non executive directors were independent in accordance with the Code. Under the company's articles of association, all directors must offer themselves for re-election at least once every three years. However, there are no directors retiring by rotation in 2011. The biographies of all the directors appear on page 17.

The roles of chairman and chief executive are held by separate directors with a clear division of responsibilities between them. All directors have access to the advice and services of the secretary, E Cook, who is responsible to the board for ensuring the proper conduct of board procedures and compliance with appropriate regulations. The

appointment and removal of the secretary is a matter for the board as a whole. The board meets regularly (at least nine times each year) and there is contact between meetings to progress the company's business. During the year attendance by directors at meetings of the board and the various committees is set out below.

The board has a formal schedule of matters specifically reserved to it for decision (including the development of corporate strategy and the approval of annual budgets, major capital expenditure and potential acquisitions and disposals). The chairman together with the chief executive establish the agenda for each board meeting. Briefing papers are distributed by the secretary to all directors in advance of board meetings. All directors receive training and briefing on joining the board and subsequently as appropriate. The directors are authorised to obtain independent advice as required.

Where appropriate, matters are delegated to the following board and executive committees. The terms of reference of the board committees are posted on the company's website.

### Nomination committee

The nomination committee comprises the non executive directors. The committee is chaired by the group chairman and is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. The nomination committee is assisted by recruitment consultants as appropriate and meets candidates shortlisted for appointment before recommending an appointment to the board.

In the last year the full committee has met twice to discuss succession planning and board performance.

	Board meetings		Remuneration		Audit	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
C G Ross	9	9	4	4	3	3
M J C Derbyshire	9	9	4	4	3	3
W Tame	9	9	4	4	3	3
I Williamson	9	9	–	–	–	–
R J Brooksbank	9	9	–	–	–	–

## STATEMENT OF CORPORATE GOVERNANCE CONTINUED

### Remuneration committee

As required by the Combined Code, the company has established a remuneration committee consisting entirely of independent non executive directors including the group chairman. The remuneration committee meets at least three times a year and is chaired by M J C Derbyshire. The committee recommends to the full board the company's policy on executive director and executive management remuneration and continues to determine individual remuneration packages for executive directors. The remuneration committee is authorised by the board to obtain independent professional advice if it considers this necessary. The directors' remuneration report on pages 27 to 31 sets out the group's remuneration objectives and policy and includes full details of directors' remuneration in accordance with the provisions of Schedule B to the Combined Code.

A resolution will be proposed at the annual general meeting to approve the directors' remuneration report.

### Audit committee

The audit committee comprises all the non executive directors including the group chairman and meets not less than three times annually. The committee is chaired by W Tame who, as current finance director of Babcock International Group plc, has both recent and relevant financial experience. The committee provides a forum for discussions with the group's external and internal auditors. Meetings are also attended, by invitation, by the chief executive and finance director.

The audit committee has terms of reference which follow closely the recommendations of the Combined Code and include reviewing the scope and results of the audit and the cost effectiveness, independence and objectivity of the auditors. It also reviews the level of audit and non audit fees to ensure that the external auditors' independence and objectivity is safeguarded. The committee assists the board in observing its responsibility for ensuring that the group's financial systems provide accurate information which is properly reflected in published accounts. It reviews half year and annual accounts before their submission to the board and reviews reports from the internal auditors and computer department.

### Group executive committee

The group executive committee is chaired by the chief executive and comprises all the executive directors together with the secretary, group financial controller and selected managing directors from operating

companies. The committee meets each month and is responsible to the board for running the ongoing operations of the group's businesses.

### Finance, administration and risk management committee

The finance, administration and risk management committee is chaired by the finance director and comprises the secretary, group financial controller and group accountant. The committee meets at least quarterly and is custodian of the group finance manual and is responsible for setting accounting and risk management policies and ensuring overall compliance with Turnbull guidance on internal controls.

### Investor relations

The company recognises the importance of communication with its shareholders. Regular meetings are held between directors of the company and major institutional shareholders including presentations after the company's preliminary announcements of the half year and full year results. Major shareholders have been advised that the chairman and the non executive directors are available for separate discussions if required.

The board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation. The level of proxies received for each annual general meeting resolution is declared after the resolution has been dealt with on a show of hands providing no poll has been called for. Details of the resolutions to be proposed at the annual general meeting on 16 September 2011 can be found in the notice of meeting on pages 84 to 87.

### Accountability and audit

#### Directors' responsibilities

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

## STATEMENT OF CORPORATE GOVERNANCE CONTINUED

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Internal control

The board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull Report). These procedures provide for a continuous process for identifying, evaluating and managing the material business risks faced by the group. This process has been in place throughout the year under review and up to the date of approval

of the annual report and accounts. The process has been reviewed by the board and is in accordance with the guidance given in the Turnbull Report.

For the year ended 31 March 2011, the board has reviewed the effectiveness of the group's system of internal control, for which it retains overall responsibility. Responsibility for operating the system is delegated to the group executive committee and responsibility for monitoring the system is delegated to the finance, administration and risk management committee. The audit committee reviews the effectiveness of the group's internal control system, the scope of work undertaken by the internal auditors and its findings, the group's accounts and the scope of work undertaken by the external auditors. Reviews are undertaken regularly and cover each accounting year and the period up to the date of approval of the accounts.

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

### a) Matters reserved for the board

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

### b) Organisational structure

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

### c) Financial control and reporting

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

### d) Internal auditor

Mazars LLP continues to provide the outsourced internal audit function. The internal auditor monitors and reports on the system of internal control. The internal auditor reports to the audit committee and works to an agreed programme.

### Compliance with the Combined Code

The information in this report demonstrates how the company has complied with the Combined Code throughout the year with the following exception (references in brackets are to the relevant Combined Code provision) -

In order to comply with the requirement for the audit (C.3.1) and remuneration (B.2.1) committees to comprise a minimum of three independent non executive directors, the group chairman has remained a member (although not chairman) of these committees. For the purposes of the Combined Code, the group chairman is not deemed to be an independent director.

It should be noted that the new UK Corporate Governance Code states that in smaller companies the group chairman may be a member of, but not chair, these committees provided he was considered independent on appointment as chairman (as is the case for Carclo).

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT

We confirm that to the best of our knowledge –

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

By order of the board

7 June 2011

## DIRECTORS' REMUNERATION REPORT

### Remuneration policy

The directors' remuneration is determined by the remuneration committee which comprises all three non executive directors. The committee meets approximately four times a year and is chaired by M J C Derbyshire. The remuneration committee consistently seeks to base its remuneration policy for the executive directors on a combination of individual appraisal and company performance measures. The key objectives of this policy, which it believes is in the best interests of shareholders, are as follows:-

- to ensure that remuneration and incentives are comparable with those provided by companies of a similar size, business sector and international diversification.
- to enable the group to attract, retain and motivate high calibre people.
- to give full consideration to the relevant principles on directors' remuneration set out in the Combined Code.
- to ensure an appropriate balance between fixed and performance related remuneration, such that the latter has the potential to form a significant portion of the total remuneration package.
- to align the interests of shareholders and directors by having short and long term performance related remuneration linked to the group's earnings and shareholder return.

The main components of the remuneration of directors are: -

- i) **Basic salary** - basic salaries of executive directors are determined after an annual review of the performance of each individual. The committee also takes into account information from independent sources such as surveys on the rates of salary for similar positions in comparable companies.
- ii) **Performance related bonus** - executive directors usually participate in an annual non pensionable performance related cash bonus scheme known as the Short Term Incentive ("STI") Scheme to encourage operating efficiency and earnings growth.

The STI scheme was suspended in 2009/10 (and salaries frozen) due to the economic downturn. The STI scheme was reintroduced last year and required an increase in underlying earnings to £7.1 million before any bonus was payable. No bonus is payable in respect of the 2010/11 results which show underlying earnings before tax of

£6.5 million. The STI scheme for 2011/12 will again be based primarily on the growth in pre tax earnings per share before exceptional items, although part of the bonus entitlement will be based on targeted improvements in working capital. The maximum bonus payable under the scheme is 50% of the chief executive's basic salary and 40% of the finance director's basic salary.

- iii) **Long term incentives** – details of the directors' share options at the date of this report are set out in paragraph i) of the directors' share options section on pages 29 to 30.

The remuneration committee is responsible for ensuring that the company's long term incentive schemes reflect current best practice and that they are operated in accordance with rules approved by shareholders in general meeting.

The company currently operates one long term incentive scheme; the Performance Share Plan 2007 (the "New PSP").

The Executive Share Option Scheme 2000 expired on 2 October 2010. No options have been awarded during 2010/11.

**Performance Share Plan 2007** – Shareholder approval was received in September 2007 for the introduction of the New PSP which features discretionary annual awards to senior executives at values linked to salary. The maximum normal award level is 100% of salary and all awards made to date have been calculated at 70% of executive director's salary (with the exception of the one-off award made in 2010 to the chief executive described below).

The New PSP reflects current best practice and has awards which will vest if performance conditions are satisfied. These targets are set by the committee having regard to market conditions and the need to motivate staff.

The fourth conditional awards of shares under the New PSP were made to R J Brooksbank and 5 senior managers on 7 July 2010 when the Carclo share price was 159p. For the fourth awards, the New PSP will again have a split performance condition whereby half of the awards would vest after three years based on performance compared to TSR and the remaining half would vest based on EPS performance.

For these awards, half of the awards will vest on a sliding scale from 25% if EPS growth exceeds RPI by 5% per annum or more over the three year period beginning with the year of grant, rising to 100% if EPS growth exceeds RPI by 12% per annum. EPS growth is measured

## DIRECTORS' REMUNERATION REPORT CONTINUED

using underlying earnings excluding IAS19 pension accounting, which would otherwise distort earnings performance. The other half of the awards will vest on a sliding scale from 25% if TSR exceeds the median performance of the constituents of the FTSE Small Cap Index over the three year period ending on 31 March 2013 rising to 100% for upper quartile performance. These conditions will be reviewed annually by the committee to ensure they are consistent with current best practice.

As detailed in last year's report a one-off conditional award of 609,000 shares under the new PSP was made to I Williamson on 6 September 2010 when the Carclo share price was 155p. Half of this award will

vest based on absolute share price growth to 31 March 2013 with nil vesting at a share price of 200p per share rising to 100% vesting at 300p per share on a straight line basis. The other half of the award will vest on a sliding scale from 25% if TSR exceeds the median performance of the constituents of the FTSE Small Cap Index over the three year period ending on 31 March 2013 rising to 100% for upper quartile performance.

The remuneration committee has retained the discretion to adjust the level of vesting for this part of the award if the underlying performance of the group becomes unsatisfactory.

### Directors' remuneration and pension entitlements

- i) The directors constitute the group's key management personnel. Their remuneration is as follows –

	<b>Fees £000</b>	<b>Salary £000</b>	<b>Benefits £000</b>	<b>Bonus £000</b>	<b>Total 2011 £000</b>	<b>Total 2010 £000</b>
<b>Non executive directors</b>						
C G Ross	69	–	–	–	69	67
M J C Derbyshire	28	–	–	–	28	26
W Tame	28	–	–	–	28	26
<b>Executive directors</b>						
I Williamson	–	237	12	–	249	249
R J Brooksbank	–	138	12	–	150	145
<b>Total</b>	<b>125</b>	<b>375</b>	<b>24</b>	<b>–</b>	<b>524</b>	<b>513</b>
2010	119	371	23	–	513	

In addition, pensions of £7,375 (2010 - £5,689) were paid by the company to former directors.

- ii) Directors' emoluments are those earned during the relevant financial year, including an amount estimated for bonuses which are paid in the following year.
- iii) Benefits comprise taxable emoluments, mainly in respect of the provision of a car allowance and medical insurance which are provided as part of the directors' service contract.
- iv) The highest paid director is I Williamson who received emoluments, excluding pension benefits, of £249,000 (2010 - £249,000). This included a salary fixed at £236,900 in accordance with his extended service contract.

- v) The number of directors who are eligible to receive retirement benefits under the group's defined benefit scheme at 31 March 2011 was nil (2010 – nil).

- vi) The pension entitlements of the directors are as follows -

I Williamson received a pension contribution calculated at 20% of salary which was paid into an approved personal pension on I Williamson's behalf. The total contribution paid in the year was £47,380 (2010 - £47,380). No further pension contributions will be paid under the terms of his revised service contract.

R J Brooksbank also receives a pension contribution calculated at 20% of salary which is paid into an approved personal pension on R J Brooksbank's behalf. The total contribution paid in the year was £27,600 (2010 - £26,780).

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Directors' interests

- i) Listed below are the directors at the end of the year together with their notifiable beneficial interests in the share capital of the company.

	31 March 2011		31 March 2010	
	Ordinary shares	Options	Ordinary shares	Options
C G Ross	81,500	–	31,500	–
I Williamson	687,823	258,000	637,823	278,000
R J Brooksbank	185,450	60,000	185,450	60,000
M J C Derbyshire	40,000	–	40,000	–
W Tame	29,000	–	29,000	–

### Directors' share options

- i) The share options which have been granted to executive directors are shown below –

	At 1 April 2010	Granted	Exercised	At 31 March 2011	Exercise price £	Date from which exercisable	Expiry date
<b>I Williamson</b>							
Discretionary Scheme 1997	20,000	–	(20,000)	–	1.49	6.7.03	5.7.10
Executive Scheme 2000	123,000	–	–	123,000	0.80	14.9.08	13.9.15
Executive Scheme 2000	135,000	–	–	135,000	0.77	15.9.09	14.9.16
<b>R J Brooksbank</b>							
Discretionary Scheme 1997	60,000	–	–	60,000	0.50	13.9.07	12.9.14

- ii) The market price of the 5p ordinary shares on 31 March 2011 was 283.5p.
- iii) On 2 July 2010, I Williamson exercised approved options over 20,000 shares and his shareholding increased by 20,000 shares as a result of this transaction.
- iv) During the year, the price of the company's ordinary shares ranged from 136p to 327p.
- v) Full details of directors' shareholdings and share options are contained in the company's register of directors' interests, which is open to inspection at the company's registered office.
- vi) There have been no changes in the directors' interests since the year end.

## DIRECTORS' REMUNERATION REPORT CONTINUED

### Directors' share awards under the New PSP

i) Details of share awards under the New PSP made to executive directors are shown below –

Director and year of award Date	At 1 April 2010	Granted	Vested	Lapsed	At 31 March 2011	Market value per share at date of award	Determination £
<b>I Williamson</b>							
PSP 2007	129,000	–	(64,500)	(64,500)	–	0.95	4.12.10
PSP 2008	129,000	–	–	–	129,000	0.86	22.6.11
PSP 2009	165,000	–	–	–	165,000	1.31	16.12.12
<b>PSP 2010</b>	<b>–</b>	<b>609,000</b>	<b>–</b>	<b>–</b>	<b>609,000</b>	<b>1.55</b>	<b>5.9.13</b>
<b>R J Brooksbank</b>							
PSP 2007	73,000	–	(36,500)	(36,500)	–	0.95	4.12.10
PSP 2008	73,000	–	–	–	73,000	0.86	22.6.11
PSP 2009	93,000	–	–	–	93,000	1.31	16.12.12
<b>PSP 2010</b>	<b>–</b>	<b>69,000</b>	<b>–</b>	<b>–</b>	<b>69,000</b>	<b>1.59</b>	<b>6.7.13</b>

ii) On 6 December 2010 50% of the PSP 2007 award vested, representing 100% of the award measured on TSR performance. Carclo's TSR ranking for the three year performance period to 30 September 2010 was 13th out of 158 constituents of the FTSE Small Cap index – comfortably top quartile. There was zero vesting in relation to the EPS measured portion of the award. Vesting was satisfied by a cash payment based on the average share price of 212.5p for the 5 business days prior to the date of vesting. Accordingly, I Williamson received a payment of £137,063 and R J Brooksbank received a payment of £77,563.

iii) The performance conditions attaching to the 2010 award are set out in paragraph iii) of the long term incentives section on pages 27 to 28.

### Service contracts and letters of appointment

i) Executive directors

All executive directors' service contracts include a one year notice period on either side. The company may at its discretion pay, in lieu of the required notice period, a lump sum, thereby restricting payments on termination to the value of salary and benefits for the notice period.

The service contracts were effective from the following dates: -

I Williamson	1 July 1995
R J Brooksbank	1 April 2004

The current service contracts for the executive directors terminate on the executive's 60th birthday. As noted in last year's chairman's statement, the board wishes to retain I Williamson as chief executive beyond his 60th birthday to enable him to continue the development of the Carclo group and, specifically, to oversee the commercialisation of Conductive Inkjet Technology. Mr Williamson was re-elected as a director at the 2010 AGM and now has an amended service contract subject to one year's notice which terminates on 27 March 2013 when he will reach the age of 62.

ii) Non executive directors

The non executive directors have letters of appointment with the company, under which they have been appointed up to the following dates: -

C G Ross	Annual general meeting in 2012
M J C Derbyshire	Annual general meeting in 2012
W Tame	Annual general meeting in 2012

## DIRECTORS' REMUNERATION REPORT CONTINUED

The non executive directors do not have service contracts with the company and their appointments, terminable at the will of either party, are for a fixed term of three years, renewable for a further three year period with the agreement of the board and the director. The remuneration of non executive directors is determined by the executive directors without reference to the remuneration committee. The non executive directors do not participate in the company's STI scheme, executive performance share plan, executive share option schemes or pension scheme.

### Related performance graph

The following graph shows the value at 31 March 2011 of a £100 investment made in the shares of Carclo plc on 1 April 2006 if all dividends had been reinvested. This is compared to a similar £100 investment made in the FTSE Small Cap index, again assuming that any dividends were reinvested. The FTSE Small Cap index was selected as being most representative of a broad equity index which contains an appropriate comparator group of companies to Carclo.



### Audit

The following information which appears on pages 28 to 30 has been audited - directors' remuneration and pension entitlements and directors' share options.

On behalf of the board

**M J C Derbyshire**

Chairman of the remuneration committee

7 June 2011

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARCLO PLC

We have audited the financial statements of Carclo plc for the year ended 31 March 2011 set out on pages 33 to 81. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

## Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on pages 24 to 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

## Opinion on financial statements

In our opinion -

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion –

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the statement of corporate governance set out on pages 23 to 26 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following –

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

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

### Under the Listing Rules we are required to review –

- the directors' statement, set out on page 18, in relation to going concern;
- the part of the statement of corporate governance on page 26 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

## Mike Barradell (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc  
Chartered Accountants  
Leeds

7 June 2011

## CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH

	<i>Notes</i>	2011 £000	2010 £000
<b>Revenue</b>	2	<b>88,645</b>	81,152
Underlying operating profit			
Operating profit before exceptional items		<b>5,917</b>	5,669
– rationalisation costs	5	<b>(274)</b>	(297)
– profit on sale of surplus property		–	79
– exceptional credit in respect of retirement benefits	20	<b>500</b>	–
After exceptional items		<b>6,143</b>	5,451
<b>Operating profit</b>	2	<b>6,143</b>	5,451
Finance revenue	6	<b>9,828</b>	8,521
Finance expense	6	<b>(9,199)</b>	(9,349)
<b>Profit before tax</b>		<b>6,772</b>	4,623
Income tax expense	7	<b>(770)</b>	(948)
<b>Profit after tax but before loss on discontinued operations</b>		<b>6,002</b>	3,675
Loss on discontinued operations, net of tax	8	<b>(85)</b>	(223)
<b>Profit after tax, attributable to equity holders of the parent</b>		<b>5,917</b>	3,452
Earnings per ordinary share	9		
Basic – continuing operations		<b>9.8p</b>	6.3p
Basic – discontinued operations		<b>(0.2)p</b>	(0.4)p
Basic – total		<b>9.6p</b>	5.9p
Diluted – continuing operations		<b>9.8p</b>	6.3p
Diluted – discontinued operations		<b>(0.2)p</b>	(0.4)p
Diluted – total		<b>9.6p</b>	5.9p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH

	2011 £000	2010 £000
<b>Profit for the period</b>	<b>5,917</b>	3,452
<b>Other comprehensive income –</b>		
Foreign exchange translation differences	(298)	(143)
Actuarial gains / (losses) on defined benefit scheme	6,463	(3,634)
Actuarial gain due to statutory change to CPI for deferred revaluation and pension increases	1,440	–
Taxation on items taken directly to equity –		
Deferred tax	(2,461)	1,087
Corporation tax	3	354
<b>Other comprehensive income, net of tax</b>	<b>5,147</b>	(2,336)
<b>Total comprehensive income for the period, attributable to equity holders of the parent</b>	<b>11,064</b>	1,116

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Notes	2011 £000	2010 £000
<b>Assets</b>			
Intangible assets	11	36,406	34,758
Property, plant and equipment	12	29,950	26,227
Investments	13	747	623
Deferred tax assets	19	6,635	9,167
<b>Total non current assets</b>		<b>73,738</b>	<b>70,775</b>
Inventories	14	12,343	10,263
Trade and other receivables	15	18,831	20,414
Cash and cash deposits	16	11,048	10,205
Non current assets classified as held for sale	17	221	223
<b>Total current assets</b>		<b>42,443</b>	<b>41,105</b>
<b>Total assets</b>		<b>116,181</b>	<b>111,880</b>
<b>Liabilities</b>			
Interest bearing loans and borrowings	18	19,002	18,678
Deferred tax liabilities	19	5,141	4,902
Retirement benefit obligations	20	9,067	20,087
<b>Total non current liabilities</b>		<b>33,210</b>	<b>43,667</b>
Trade and other payables	22	15,551	15,019
Current tax liabilities		1,941	1,906
Provisions	21	–	515
Interest bearing loans and borrowings	18	11,148	6,166
<b>Total current liabilities</b>		<b>28,640</b>	<b>23,606</b>
<b>Total liabilities</b>		<b>61,850</b>	<b>67,273</b>
<b>Net assets</b>		<b>54,331</b>	<b>44,607</b>
<b>Equity</b>			
Ordinary share capital issued	23	3,078	3,071
Share premium		8,189	8,042
Other reserves	24	3,584	3,584
Translation reserve	24	4,734	5,032
Retained earnings	24	34,746	24,878
<b>Total equity attributable to equity holders of the parent</b>		<b>54,331</b>	<b>44,607</b>

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

**Christopher Ross**  
**Robert Brooksbank** } directors  
 7 June 2011

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company					
	Share capital £000	Share premium £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 April 2009	2,859	3,916	5,110	3,656	24,190	39,731
<b>Profit for the period</b>	–	–	–	–	3,452	3,452
<b>Other comprehensive income –</b>						
Foreign exchange translation differences	–	–	(143)	–	–	(143)
Actuarial losses on defined benefit scheme	–	–	–	–	(3,634)	(3,634)
Taxation on items taken directly to equity	–	–	65	–	1,376	1,441
<b>Transactions with owners recorded directly in equity –</b>						
Share based payments	–	–	–	–	175	175
Dividends to shareholders	–	–	–	–	(1,175)	(1,175)
Exercise of share options	69	734	–	–	–	803
Issue of shares	143	3,392	–	–	–	3,535
Proceeds from sale of own shares	–	–	–	–	85	85
Transfer in respect of depreciation	–	–	–	(72)	72	–
Adjustment to deferred consideration	–	–	–	–	337	337
Balance at 31 March 2010	3,071	8,042	5,032	3,584	24,878	44,607
<b>Balance at 1 April 2010</b>	<b>3,071</b>	<b>8,042</b>	<b>5,032</b>	<b>3,584</b>	<b>24,878</b>	<b>44,607</b>
<b>Profit for the period</b>	–	–	–	–	5,917	5,917
<b>Other comprehensive income –</b>						
Foreign exchange translation differences	–	–	(298)	–	–	(298)
Actuarial gains on defined benefit scheme	–	–	–	–	6,463	6,463
Actuarial gain due to statutory change to CPI for deferred revaluation and pension increases	–	–	–	–	1,440	1,440
Taxation on items taken directly to equity	–	–	–	–	(2,458)	(2,458)
<b>Transactions with owners recorded directly in equity –</b>						
Share based payments	–	–	–	–	144	144
Dividends to shareholders	–	–	–	–	(1,260)	(1,260)
Exercise of share options	7	147	–	–	–	154
Proceeds from sale of own shares	–	–	–	–	21	21
Performance share plan awards	–	–	–	–	(406)	(406)
Adjustment to deferred consideration	–	–	–	–	7	7
<b>Balance at 31 March 2011</b>	<b>3,078</b>	<b>8,189</b>	<b>4,734</b>	<b>3,584</b>	<b>34,746</b>	<b>54,331</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH

	<i>Notes</i>	2011 £000	2010 £000
<b>Cash generated from operations</b>	26	<b>6,800</b>	3,407
Interest paid		(582)	(477)
Tax paid		(422)	(378)
<b>Net cash from operating activities</b>		<b>5,796</b>	2,552
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		52	1,259
Interest received		161	45
Cash flow on discontinued operations		(85)	(160)
Acquisition of business undertaking, net of cash acquired		–	(214)
Acquisition of property, plant and equipment		(6,924)	(2,655)
Acquisition of intangible assets – computer software		(49)	(138)
Investment in Platform Diagnostics Limited		(135)	–
Development expenditure		(2,073)	(1,250)
<b>Net cash from investing activities</b>		<b>(9,053)</b>	(3,113)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		–	3,535
Proceeds from exercise of share options		154	803
Proceeds from sale of own shares		21	85
Drawings on term loan facilities		750	1,000
Repayment of borrowings		(250)	(1,263)
Cash outflow in respect of performance share plan awards		(406)	–
Dividends paid		(1,227)	(1,147)
<b>Net cash from financing activities</b>		<b>(958)</b>	3,013
Net (decrease) / increase in cash and cash equivalents		(4,215)	2,452
Cash and cash equivalents at beginning of period		4,303	2,026
Effect of exchange rate fluctuations on cash held		(188)	(175)
<b>Cash and cash equivalents at end of period</b>		<b>(100)</b>	4,303
<b>Cash and cash equivalents comprise –</b>			
Cash and cash deposits		11,048	10,205
Bank overdrafts		(11,148)	(5,902)
		<b>(100)</b>	4,303

## NOTES ON THE ACCOUNTS

### 1 Accounting policies

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 72 to 81.

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

The following new standards, amendments and interpretations are now mandatory and have been adopted, where applicable, from 1 April 2010 but have had no impact on the group's financial statements.

IFRS 3 (revised)	Business combinations
IAS 27 (amendment)	Consolidated and separate financial statements
IAS 39 (amendment)	Eligible hedged items
IAS 2 (amendment)	Group cash-settled share-based payments transactions

A number of standards have been endorsed but, in respect of the year ended 31 March 2011, are not yet effective. None of these are expected to have a material impact on the group's reported financial performance or position.

#### a) Basis of accounting

The financial statements are prepared on the historical cost basis except that derivative financial instruments and share options are stated at their fair value.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

#### b) Basis of consolidation

The group's financial statements consolidate the financial statements of the company and its subsidiary undertakings. The results of any subsidiaries sold or acquired are included in the group income statement up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation. On acquisition of a subsidiary, all of the identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date.

#### c) Goodwill

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

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

Any goodwill arising on the acquisition of an overseas subsidiary is retranslated at the balance sheet date.

Goodwill arising prior to 31 March 1998 and previously written off to reserves has not been reinstated.

#### d) Other intangible assets

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

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

## NOTES ON THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

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

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

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

#### e) Amortisation

Intangible assets, other than goodwill, are amortised on a straight line basis to write off the cost of the asset, less estimated residual value, over the estimated economic life of the asset. Patents and development costs are amortised over a period of up to 12 years from the date upon which the patent or related development expenditure enters commercial production. Customer distribution networks are amortised over 7 years and computer software over 3 to 5 years.

#### f) Property, plant and equipment

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

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

Freehold buildings	2.0% - 5%
Plant and equipment	8.33% - 33.33%

No depreciation is provided on freehold land.

#### g) Leases

Leases where the group assumes substantially all the risks and rewards of ownership are classified as finance leases, where this is not the case they are treated as operating leases. Amounts payable under operating leases are charged to net operating expenses on a straight line basis over the lease term. The group currently has no finance leases.

#### h) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Costs relating to the arranging of term loan borrowings are carried on the balance sheet and expensed, on a straight line basis, over a five year period, being the period of the term loan facilities.

#### i) Inventories

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

#### j) Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or if there is continuing managerial involvement with the goods.

## NOTES ON THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

With regards to sub contract tooling contracts, the group uses the "percentage of completion method" to determine the appropriate amount of revenue to be recognised in a given period when the outcome can 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 are recognised when incurred unless they create an asset related to future activity on the contract.

When it is probable that the total costs for a contract will exceed the total revenue, then the loss is recognised as an expense immediately.

Revenues arising from the granting of preferential access to the group's technology is recognised over the preferential access period which is under the direct control of the group.

#### k) Foreign currency transactions

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

#### l) Financial statements of foreign operations

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

#### m) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges meeting the criteria for hedge accounting under IAS 39, are taken to the translation reserve. They are released into the income statement upon disposal.

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

#### n) Dividends

Dividends are recorded in the group's financial statements in the period in which they become a legal liability of the company.

#### o) Net operating expenses

Net operating expenses incurred by the business are written off to the income statement as incurred.

#### p) Net financing costs

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

Interest is recognised in the income statement as it accrues, using the effective interest method.

#### q) Cash and cash equivalents

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

## NOTES ON THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

#### r) Taxation

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for - goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

#### s) Retirement benefit costs

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

The net obligation in respect of the defined benefit plans is the present value of the defined benefit obligations less the fair value of the plan's assets at the balance sheet date. The assumptions used to calculate the present value of the defined benefit obligations are detailed in note 20.

The operating and financing cost of the scheme are recognised separately in the income statement in the period they arose.

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made the group has no further obligation.

#### t) Financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational activities. In accordance with its treasury policy, the group 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.

#### u) Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

#### v) Share based payments

The group issues equity settled share based payments to certain employees in exchange for services rendered by them. The fair value of the share based award is calculated at the date of the grant and is expensed on a straight line basis over the vesting period with a corresponding increase in equity. This is based on the group's estimate of share options that will eventually vest. This takes into account movement of non market conditions, being service conditions and financial performance, if relevant. The fair value of the equity settled awards granted is not subsequently revisited.

## NOTES ON THE ACCOUNTS CONTINUED

### 1 Accounting policies continued

#### w) Impairment

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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

#### x) Exceptional items

In order for users of the accounts to better understand the underlying performance of the group, the board have separately disclosed transactions which, whilst falling within the ordinary activities of the group, are, by virtue of their size or incidence, considered to be exceptional in nature. Such transactions include costs of rationalisation, one-off retirement benefit effects and material bad debts.

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

#### y) Segmental reporting

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

### 2 Segment reporting

At 31 March 2011, the group was organised into three, separately managed, business segments - Technical Plastics, Precision Products and Conductive Inkjet Technology. These are the segments for which summarised management information is presented to the group's chief operating decision maker (comprising the main board and general executive committee).

The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

The Precision Products segment supplies systems to the premium automotive and aerospace industries and is a leader in the development of high power LED lighting for supercars.

The Conductive Inkjet Technology segment undertakes applied research into the digital printing of conductive metals on to plastic substrates.

Discontinued operations relate to the disposal of the group's automotive control cables business in May 2006 and the card clothing business in June 2005.

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

The group's geographical segments are based on the location of the group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

## NOTES ON THE ACCOUNTS CONTINUED

	Technical Plastics £000	Precision Products £000	Conductive Inkjet Technology £000	Unallocated £000	Eliminations £000	Group total £000
<b>2 Segment reporting continued</b>						
<b>Analysis by business segment</b>						
The segment results for the year ended 31 March 2011 were as follows –						
<b>Consolidated income statement</b>						
Total revenue	55,798	33,118	499	–	(770)	88,645
Less inter-segment revenue	(602)	(168)	–	–	770	–
Total external revenue	55,196	32,950	499	–	–	88,645
Expenses	(50,158)	(30,746)	(513)	(1,311)	–	(82,728)
Underlying operating profit	5,038	2,204	(14)	(1,311)	–	5,917
Rationalisation costs	(215)	(32)	(27)	–	–	(274)
Exceptional credit in respect of retirement benefits	–	–	–	500	–	500
<b>Operating profit</b>	<b>4,823</b>	<b>2,172</b>	<b>(41)</b>	<b>(811)</b>	<b>–</b>	<b>6,143</b>
Net finance income						629
Income tax expense						(770)
Loss on discontinued operations, net of tax						(85)
<b>Profit after tax, attributable to equity holders of the parent</b>						<b>5,917</b>
<b>Consolidated statement of financial position</b>						
Segment assets	61,992	27,094	17,343	9,752	–	116,181
Segment liabilities	(11,143)	(11,253)	(769)	(38,685)	–	(61,850)
<b>Net assets</b>	<b>50,849</b>	<b>15,841</b>	<b>16,574</b>	<b>(28,933)</b>	<b>–</b>	<b>54,331</b>
<b>Other segmental information</b>						
Capital expenditure on property, plant and equipment	3,415	2,602	1,131	40	–	7,188
Capital expenditure on computer software	–	16	–	33	–	49
Depreciation	2,371	657	152	24	–	3,204
Amortisation of computer software	16	35	–	14	–	65

## NOTES ON THE ACCOUNTS CONTINUED

	Technical Plastics £000	Precision Products £000	Conductive Inkjet Technology £000	Unallocated £000	Eliminations £000	Group total £000
<b>2 Segment reporting continued</b>						
The segment results for the year ended 31 March 2010 were as follows –						
<b>Consolidated income statement</b>						
Total revenue	51,124	30,525	281	–	(778)	81,152
Less inter-segment revenue	(636)	(142)	–	–	778	–
Total external revenue	50,488	30,383	281	–	–	81,152
Expenses	(46,082)	(27,740)	(370)	(1,291)	–	(75,483)
Underlying operating profit	4,406	2,643	(89)	(1,291)	–	5,669
Rationalisation costs	(275)	(10)	–	(12)	–	(297)
Profit on sale of surplus property	–	–	–	79	–	79
<b>Operating profit</b>	<b>4,131</b>	<b>2,633</b>	<b>(89)</b>	<b>(1,224)</b>	<b>–</b>	<b>5,451</b>
Net finance charge						(828)
Income tax expense						(948)
Loss on discontinued operations, net of tax						(223)
<b>Profit after tax, attributable to equity holders of the parent</b>						<b>3,452</b>
<b>Consolidated statement of financial position</b>						
Segment assets	59,575	24,993	15,172	12,140	–	111,880
Segment liabilities	(10,289)	(9,710)	(787)	(46,487)	–	(67,273)
<b>Net assets</b>	<b>49,286</b>	<b>15,283</b>	<b>14,385</b>	<b>(34,347)</b>	<b>–</b>	<b>44,607</b>
<b>Other segmental information</b>						
Capital expenditure on property, plant and equipment	1,752	550	379	137	–	2,818
Capital expenditure on computer software	45	82	–	11	–	138
Depreciation	2,423	625	120	5	–	3,173
Amortisation of computer software	9	35	–	18	–	62

## NOTES ON THE ACCOUNTS CONTINUED

	External revenue		Segment assets		Expenditure on tangible fixed assets and computer software	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000

### 2 Segment reporting continued

#### Analysis by geographical segment

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

United Kingdom	26,678	29,428	18,632	10,473	5,985	2,130
North America	22,573	20,300	15,926	16,347	870	598
Rest of world	39,394	31,424	19,773	17,787	382	228
	<b>88,645</b>	<b>81,152</b>	<b>54,331</b>	<b>44,607</b>	<b>7,237</b>	<b>2,956</b>

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

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

One Technical Plastics customer accounted for 15.8% of group revenues (2010 - 15.6%). No other customers accounted for more than 10.0% of revenues in the year or prior year.

### 3 Operating profit

Operating profit is arrived at as follows –

Revenue	88,645	81,152
Increase / (decrease) in stocks of finished goods and work in progress	775	(1,725)
	<b>89,420</b>	<b>79,427</b>
Raw materials and consumables	42,200	35,721
Personnel expenses (note 4)	24,442	21,693
Amortisation of intangible assets	316	183
Depreciation of tangible fixed assets	3,204	3,173
Auditors' remuneration –		
Audit fees of the parent company and consolidated accounts	63	53
Audit fees of the subsidiaries	106	105
Tax planning services	31	18
Independent project advice	35	46
Total	<b>235</b>	<b>222</b>
Operating lease rentals –		
Property	567	577
Plant and machinery	289	294
Total	<b>856</b>	<b>871</b>
Rationalisation costs (see note 5)	274	297
Profit on sale of surplus property	–	(79)
Exceptional credit in respect of retirement benefits (see note 20)	(500)	–
Share of losses in associated company	10	37
Other operating charges	12,240	11,858
	<b>83,277</b>	<b>73,976</b>
<b>Operating profit</b>	<b>6,143</b>	<b>5,451</b>

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>4 Personnel expenses</b>		
Wages and salaries	20,917	18,491
Social security contributions	2,748	2,566
Charge in respect of defined benefit pension schemes (see note 20)	237	206
Charge in respect of defined contribution and other pension plans	396	255
Share based payments (see note 23)	144	175
	<b>24,442</b>	<b>21,693</b>

Redundancy costs of £0.059 million (2010 – £0.203 million) are excluded from the above analysis.

Directors' remuneration and emoluments, which are included in this analysis, are described in the directors' remuneration report on pages 27 to 31.

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

	2011 Number of employees	2010 Number of employees
<b>By segment</b>		
Unallocated	14	14
Technical Plastics division	763	686
Precision Products division	282	284
Conductive Inkjet Technology	15	12
	<b>1,074</b>	<b>996</b>
<b>By geographic location</b>		
United Kingdom	574	551
North America	198	174
Rest of world	302	271
	<b>1,074</b>	<b>996</b>
	<b>2011 £000</b>	<b>2010 £000</b>

### 5 Rationalisation costs

United Kingdom		
Redundancy costs	(59)	(128)
Fixed asset write downs	–	(32)
Provision in respect of future property costs	–	(49)
Other operating expenses	(215)	–
North America		
Redundancy costs	–	(45)
Other operating expenses	–	(13)
Rest of world		
Redundancy costs	–	(30)
	<b>(274)</b>	<b>(297)</b>

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>6 Finance revenue and expense</b>		
Finance revenue comprises –		
Interest receivable on cash at bank	78	42
Retirement benefits – expected return on plan assets	9,668	8,479
Interest receivable on recovery of indirect taxes	82	–
	<u>9,828</u>	<u>8,521</u>
Finance revenue		
Finance expense comprises –		
Bank loans and overdrafts	(541)	(435)
Retirement benefits – interest cost	(8,658)	(8,914)
	<u>(9,199)</u>	<u>(9,349)</u>
Finance expense		
	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>7 Income tax expense</b>		
The expense recognised in the consolidated income statement comprises –		
United Kingdom corporation tax		
Corporation tax on profits for the current year	–	(477)
Adjustments for prior years	–	(49)
Overseas taxation		
Current tax	(493)	(329)
Adjustments for prior years	33	4
	<u>(460)</u>	<u>(851)</u>
Total current tax net expense		
Deferred tax (charge) / credit		
Origination and reversal of temporary differences –		
Deferred tax	(289)	(187)
Adjustments for prior years	(21)	90
	<u>(310)</u>	<u>(97)</u>
Total deferred tax expense		
Total income tax expense recognised in the consolidated income statement	<u>(770)</u>	<u>(948)</u>

## NOTES ON THE ACCOUNTS CONTINUED

	2011		2010	
	£000	%	£000	%
<b>7 Income tax expense continued</b>				
Factors affecting the tax charge for the year -				
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained as follows -				
Profit before tax	<b>6,772</b>		4,623	
Income tax using standard rate of UK corporation tax of 28% (2010 – 28%)	<b>1,896</b>	<b>28.0</b>	1,294	28.0
Adjustments in respect of overseas tax rates	<b>(53)</b>	<b>(0.8)</b>	(28)	(0.6)
Other timing differences	<b>(79)</b>	<b>(1.1)</b>	96	2.1
Movement in unprovided deferred tax	<b>(270)</b>	<b>(4.0)</b>	(265)	(5.8)
Other items not deductible for tax purposes	<b>(197)</b>	<b>(2.9)</b>	(104)	(2.2)
Adjustment to current tax in respect of prior periods (UK and overseas)	<b>(33)</b>	<b>(0.5)</b>	45	1.0
Adjustments to deferred tax in respect of prior periods (UK and overseas)	<b>21</b>	<b>0.3</b>	(90)	(2.0)
Rate change on deferred tax	<b>(515)</b>	<b>(7.6)</b>	–	–
Total income tax charge in the consolidated income statement	<b>770</b>	<b>11.4</b>	948	20.5

Tax on items charged to equity –

	2011 £000	2010 £000
Deferred tax relating to actuarial gains / (losses) on defined benefit scheme	<b>2,761</b>	(1,018)
Share based payments	<b>(408)</b>	(296)
Foreign exchange movements	<b>105</b>	(127)
Total income tax charged to equity	<b>2,458</b>	(1,441)

## 8 Loss on discontinued activities, net of tax

Costs incurred in relation to non current assets held for sale	<b>(85)</b>	(200)
Loss on disposal of surplus property	–	(23)
	<b>(85)</b>	(223)

In the year ended 31 March 2011, costs of £0.085 million were incurred in relation to non current assets held for sale (2010 - £0.200 million). These assets were properties which were used by businesses which were sold in prior years. In the year ended 31 March 2010, one of the assets, a property based in Lichfield, was sold for £0.569 million net of attributable costs and generated a loss of £0.023 million.

## NOTES ON THE ACCOUNTS CONTINUED

### 9 Earnings per share

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

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

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

	2011 £000	2010 £000
Profit after tax from continuing operations	6,002	3,675
Loss on discontinued operations, net of tax	(85)	(223)
Profit after tax, attributable to equity holders of the parent	<u>5,917</u>	<u>3,452</u>
	2011 Shares	2010 Shares
Weighted average number of ordinary shares in the year	61,425,277	58,464,666
Effect of share options in issue	268,262	383,658
Weighted average number of ordinary shares (diluted) in the year	<u>61,693,539</u>	<u>58,848,324</u>

In addition to the above, the company also calculates an earnings per share based on underlying profit as the board believe this to be a better yardstick against which to judge the progress of the group. Underlying profit is defined as profit before rationalisation costs, one-off retirement benefit effects, exceptional bad debts, site closure costs and the impact of property and business disposals, net of attributable taxes.

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>9 Earnings per share continued</b>		
The following table reconciles the group's profit to underlying profit used in the numerator in calculating underlying earnings per share –		
Profit after tax, attributable to equity holders of the parent	5,917	3,452
Rationalisation costs, net of tax	243	236
Exceptional credit in respect of retirement benefits, net of tax	(360)	–
Disposal of surplus property	–	(79)
Loss on disposal of discontinued operations, net of tax	85	223
Underlying profit attributable to equity holders of the parent	<u>5,885</u>	<u>3,832</u>

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

	2011 Pence	2010 Pence
Basic – continuing operations	9.8	6.3
Basic – discontinued operations	(0.2)	(0.4)
Basic – total	<u>9.6</u>	<u>5.9</u>
Diluted – continuing operations	9.8	6.3
Diluted – discontinued operations	(0.2)	(0.4)
Diluted – total	<u>9.6</u>	<u>5.9</u>
Underlying earnings per share – basic	<u>9.6</u>	6.6
Underlying earnings per share – diluted	<u>9.5</u>	<u>6.5</u>

	2011		2010	
	£000	Pence	£000	Pence
<b>10 Dividends paid and proposed</b>				
Ordinary dividends per 5 pence share declared in the period comprised –				
Final dividend for 2008/09	–	–	776	1.35
Interim dividend for 2009/10	–	–	399	0.65
Final dividend for 2009/10	828	1.35	–	–
Interim dividend for 2010/11	432	0.70	–	–
	<u>1,260</u>	<u>2.05</u>	<u>1,175</u>	<u>2.00</u>

The directors are proposing a final dividend of 1.50 pence per ordinary share for the year ended 31 March 2011. If approved at the annual general meeting on 16 September 2011, the dividend payment totalling £0.923 million will be paid on 23 September 2011 to shareholders on the share register at close of business on 19 August 2011.

## NOTES ON THE ACCOUNTS CONTINUED

	Goodwill £000	Patents and development costs £000	Customer related intangibles £000	Computer software £000	Total £000
<b>11 Intangible assets</b>					
<b>Cost</b>					
Balance at 1 April 2009	21,675	11,675	407	769	34,526
Additions	–	1,250	–	138	1,388
Effect of movements in foreign exchange	(212)	–	(3)	(12)	(227)
Balance at 31 March 2010	<b>21,463</b>	<b>12,925</b>	<b>404</b>	<b>895</b>	<b>35,687</b>
Additions	–	<b>2,073</b>	–	<b>49</b>	<b>2,122</b>
Effect of movements in foreign exchange	<b>(152)</b>	–	–	<b>(13)</b>	<b>(165)</b>
<b>Balance at 31 March 2011</b>	<b>21,311</b>	<b>14,998</b>	<b>404</b>	<b>931</b>	<b>37,644</b>
<b>Amortisation</b>					
Balance at 1 April 2009	–	98	64	590	752
Amortisation for the year	–	63	58	62	183
Effect of movements in foreign exchange	–	–	1	(7)	(6)
Balance at 31 March 2010	–	<b>161</b>	<b>123</b>	<b>645</b>	<b>929</b>
Amortisation for the year	–	<b>193</b>	<b>58</b>	<b>65</b>	<b>316</b>
Effect of movements in foreign exchange	–	–	–	<b>(7)</b>	<b>(7)</b>
<b>Balance at 31 March 2011</b>	–	<b>354</b>	<b>181</b>	<b>703</b>	<b>1,238</b>
<b>Carrying amounts</b>					
At 1 April 2009	21,675	11,577	343	179	33,774
At 31 March 2010	21,463	12,764	281	250	34,758
<b>At 31 March 2011</b>	<b>21,311</b>	<b>14,644</b>	<b>223</b>	<b>228</b>	<b>36,406</b>
				<b>2011</b>	2010
				<b>£000</b>	<b>£000</b>

### Impairment tests for cash generating units containing goodwill

The following cash generating units have significant carrying amounts of goodwill –

Technical Plastics	<b>18,596</b>	18,737
Precision Products	<b>1,784</b>	1,795
Conductive Inkjet Technology	<b>931</b>	931
	<b>21,311</b>	21,463

The recoverable amounts of the cash generating units are based on value in use calculations. Those calculations use cash flow projections based on actual operating results and current forecasts. Operating results, being the key assumption within the model, have been forecast for a period of ten years. A ten year period has been utilised given the relatively stable nature of the segments. Year one (2011/12) was based on detailed budgets prepared by management. Years two and three are based on current management forecasts and years four to ten are extrapolated using the year three forecast and assuming growth of up to 7.5% per annum dependent upon the markets served. The cash flows were discounted at a rate of 10.0% for Technical Plastics and Precision Products and 13.25% for Conductive Inkjet Technology.

Based on these value in use calculations the carrying value of goodwill is supportable by the businesses to which it relates.

Note 29 provides details of the assumptions used to assess the carrying value of patents and development costs.

## NOTES ON THE ACCOUNTS CONTINUED

	Land and buildings £000	Plant and equipment £000	Total £000
<b>12 Property, plant and equipment</b>			
<b>Cost</b>			
Balance at 1 April 2009	18,914	50,486	69,400
Additions	110	2,708	2,818
Disposals	(672)	(5,224)	(5,896)
Transfers	(532)	532	–
Effect of movements in foreign exchange	(117)	(345)	(462)
	<b>17,703</b>	<b>48,157</b>	<b>65,860</b>
Balance at 31 March 2010			
Additions	<b>491</b>	<b>6,697</b>	<b>7,188</b>
Disposals	<b>(9)</b>	<b>(677)</b>	<b>(686)</b>
Effect of movements in foreign exchange	<b>(141)</b>	<b>(320)</b>	<b>(461)</b>
	<b>18,044</b>	<b>53,857</b>	<b>71,901</b>
<b>Balance at 31 March 2011</b>			
<b>Depreciation and impairment losses</b>			
Balance at 1 April 2009	4,231	38,152	42,383
Depreciation charge for the year	444	2,729	3,173
Disposals	(672)	(5,101)	(5,773)
Impairment arising on site rationalisation	–	32	32
Transfers	(326)	326	–
Effect of movements in foreign exchange	(57)	(125)	(182)
	<b>3,620</b>	<b>36,013</b>	<b>39,633</b>
Balance at 31 March 2010			
Depreciation charge for the year	<b>459</b>	<b>2,745</b>	<b>3,204</b>
Disposals	–	<b>(676)</b>	<b>(676)</b>
Effect of movements in foreign exchange	<b>(61)</b>	<b>(149)</b>	<b>(210)</b>
	<b>4,018</b>	<b>37,933</b>	<b>41,951</b>
<b>Balance at 31 March 2011</b>			
<b>Carrying amounts</b>			
At 1 April 2009	14,683	12,334	27,017
At 31 March 2010	14,083	12,144	26,227
<b>At 31 March 2011</b>	<b>14,026</b>	<b>15,924</b>	<b>29,950</b>

At 31 March 2011, properties with a carrying amount of £6.714 million were subject to a registered charge in favour of the group pension scheme (2010 - £6.754 million).

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>13 Investments</b>		
Quoted investments	6	7
Investment in Platform Diagnostics Limited	741	616
	<u>747</u>	<u>623</u>

Quoted investments comprise non current equity securities which are available for sale. The investments are held at cost. Their fair value is not materially different to their net book value.

The group holds 32.7% of the voting equity of Platform Diagnostics Limited (2010 – 29.8%). The carrying value of the investment comprises –

	2011 £000	2010 £000
Cost of investment	799	664
Share of profits and losses in Platform Diagnostics Limited since becoming an associate	(58)	(48)
	<u>741</u>	<u>616</u>

The net assets of Platform Diagnostics Limited at 31 March comprised –

	2011 £000	2010 £000
Assets	65	53
Liabilities	(73)	(248)
Net liabilities	<u>(8)</u>	<u>(195)</u>

In the year ended 31 March 2011, Platform Diagnostics Limited generated no revenues (2010 – nil) and a loss, after tax, of £0.030 million (2010 – a loss of £0.124 million). The accounting reference date for Platform Diagnostics Limited is 30 April.

	2011 £000	2010 £000
<b>14 Inventories</b>		
Raw materials and consumables	6,825	5,239
Work in progress	512	554
Finished goods	5,006	4,470
	<u>12,343</u>	<u>10,263</u>

The value of inventories is stated after impairment for obsolescence and write downs to a net realisable value of £1.254 million (2010 – £1.132 million).

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>15 Trade and other receivables</b>		
Trade receivables	13,748	13,829
Less impairment provision	(189)	(215)
	<u>13,559</u>	<u>13,614</u>
Other debtors and prepayments	5,272	6,800
	<u>18,831</u>	<u>20,414</u>

The ageing profile of the trade receivables, net of impairment provisions, was as follows –

	2011 £000	2010 £000
Not past due	9,994	8,767
Past due 0 – 30 days	2,681	2,766
Past due 31 – 60 days	160	290
Past due 61 – 120 days	96	992
More than 120 days	628	799
	<u>13,559</u>	<u>13,614</u>

The impairment provision is calculated based on bad and doubtful debts and invoiced sales known to be disputed by the customer. It is group policy to provide for all debts due from customers in administration or liquidation and all other debts which are more than 120 days overdue. The only exception to this policy is in respect of sub contract tooling debtors where a proportion of the contract payment may not be due until final approval and sign off of the tool by the customer which may take a period of time. Such debtors are assessed individually as to recovery. The level of debts overdue by more than 61 days is due to sub contract tooling invoices which are pending final customer sign off.

Provision is made in full for any credit notes which are potentially issuable in respect of disputed invoices and returned goods.

	2011 £000	2010 £000
<b>16 Cash and cash deposits</b>		
Cash at bank and in hand	11,048	10,205
	<u>11,048</u>	<u>10,205</u>

At 31 March 2011, cash of £1.173 million was subject to a registered charge in favour of the group pension scheme (2010 – £1.156 million).

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>17 Non current assets classified as held for sale</b>		
Surplus land and buildings	221	223
Net assets held for sale	221	223

At 31 March 2011, a surplus property with a net book value of £0.221 million has been classified as being held for sale. This property is being actively marketed. The carrying value of the surplus property is net of an impairment provision of £0.203 million.

	2011 £000	2010 £000
<b>18 Interest bearing loans and borrowings</b>		
Current –		
Bank overdrafts	11,148	5,902
Bank loans	–	264
	11,148	6,166
Non current –		
Bank loans repayable between one and two years	19,002	–
Bank loans repayable between two and five years	–	18,678
	19,002	18,678

Bank loans include £19.002 million (2010 – £18.942 million) secured on the assets of the group.

The bank overdrafts are predominantly in sterling and bear interest at two percent above prevailing UK bank base rates.

At 31 March 2011 and 31 March 2010, the group had medium term multi-currency revolving term loan facilities totalling £20.000 million which were entered into on 29 June 2007 and terminate on 29 June 2012. These facilities are split equally between the group's two principal UK bankers. At 31 March 2011 these facilities were drawn to the extent of £19.002 million (2010 - £18.678 million) and incur interest at the rate of 0.7% above LIBOR.

The bank loans are secured by guarantees from certain group companies and by fixed and floating charges over certain of the assets of a number of the group's companies. At 31 March 2011 the gross value of the assets secured, which includes applicable inter company balances, amounted to £30.894 million (2010 - £30.451 million). Excluding inter company balances the value of the security was £22.064 million (2010 - £21.187 million).

In addition, the main operating subsidiary company in the USA had a term loan in place. At 31 March 2010 the amount outstanding on this loan was £0.264 million and was repaid in full during the year to 31 March 2011. This loan incurred interest at 1% above the bank's prevailing prime rate.

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>19 Deferred tax assets and liabilities</b>		
<b>Recognised deferred tax assets and liabilities</b>		
Deferred tax assets and liabilities are attributable to the following –		
Assets –		
Property, plant and equipment	2,567	2,323
Employee benefits	2,357	5,624
Short term timing differences	847	574
Share based payments	864	377
Tax losses	–	269
Deferred tax assets	<u>6,635</u>	<u>9,167</u>
Liabilities –		
Intangible assets	3,894	3,839
Short term timing differences	1,247	1,063
Deferred tax liabilities	<u>5,141</u>	<u>4,902</u>
Net deferred tax asset	<u>1,494</u>	<u>4,265</u>
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items –		
	2011 £000	2010 £000
Tax losses – overseas	1,468	1,399
Tax losses – trading	241	74
Tax losses – capital	347	373
Tax losses – non trading	627	1,274
	<u>2,683</u>	<u>3,120</u>

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse in the foreseeable future. The nature of the tax regimes in certain of the regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain. This was not the case at 31 March 2011. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2011.

The tax losses at 31 March 2011 are available to carry forward without time restriction.

At 31 March 2011 there were no recognised deferred tax liabilities for taxes that would be deductible on the unremitted earnings of the group's overseas subsidiary undertakings (2010 - nil) as the group policy is to continually reinvest in those businesses. If all earnings were remitted it is estimated that £0.228 million of additional tax would be payable (2010 - £0.069 million).

Deferred tax has been provided at 26% being the rate substantively enacted at the period end.

## NOTES ON THE ACCOUNTS CONTINUED

	Balance as at 1 Apr 10 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 11 £000
<b>19 Deferred tax assets and liabilities continued</b>				
<b>Movement in temporary differences during the year</b>				
Property, plant and equipment	2,323	244	–	2,567
Intangible assets	(3,839)	66	(121)	(3,894)
Employee benefits	5,624	(506)	(2,761)	2,357
Share based payments	377	79	408	864
Short term timing differences	(489)	76	13	(400)
Tax losses	269	(269)	–	–
	<b>4,265</b>	<b>(310)</b>	<b>(2,461)</b>	<b>1,494</b>
	Balance as at 1 Apr 09 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 10 £000
Property, plant and equipment	1,692	631	–	2,323
Intangible assets	(3,670)	(169)	–	(3,839)
Employee benefits	5,019	–	605	5,624
Share based payments	18	–	359	377
Short term timing differences	(470)	(142)	123	(489)
Tax losses	686	(417)	–	269
	<b>3,275</b>	<b>(97)</b>	<b>1,087</b>	<b>4,265</b>

## 20 Retirement benefit obligations

The group operates a defined benefit UK pension scheme which provides pensions based on service and final pay. The defined benefit scheme is now closed to new entrants who now have the option of entering into a defined contribution scheme. During the year ended 31 March 2011, the company elected to cease future accrual for existing members of the defined benefit scheme and most members have elected to transfer into the company defined contribution scheme. The assets of the defined benefit scheme are held in a separate trustee administered pension fund. Outside of the UK, retirement benefits are determined according to local practice and funded accordingly.

The amounts recognised in the balance sheet in respect of the defined benefit scheme were as follows –

	2011 £000	2010 £000
Present value of funded obligations	(157,501)	(161,972)
Fair value of scheme assets	148,434	141,885
Recognised liability for defined benefit obligations	<b>(9,067)</b>	<b>(20,087)</b>

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>20 Retirement benefit obligations continued</b>		
Movements in the net liability for defined benefit obligations recognised in the consolidated statement of financial position –		
Net liability for defined benefit obligations at the start of the year	(20,087)	(17,924)
Contributions paid	1,844	2,112
Net income / (charge) recognised in the consolidated income statement (see below)	1,273	(641)
Actuarial gains / (losses) recognised directly in equity	6,463	(3,634)
Actuarial gain due to statutory change to CPI for deferred revaluation and pension increases	1,440	–
Net liability for defined benefit obligations at the end of the year	(9,067)	(20,087)
Movements in the present value of defined benefit obligations and scheme assets –		
	2011 £000	2010 £000
Liability at the start of the year	161,972	131,657
Current service cost	237	206
Exceptional credit in respect of retirement benefits –		
In respect of past service costs	(400)	–
In respect of gains on curtailments	(100)	–
Interest cost	8,658	8,914
Actuarial (gains) / losses	(2,348)	30,104
Actuarial gain due to statutory change to CPI for deferred revaluation and pension increases	(1,440)	–
Benefits paid	(9,193)	(9,125)
Contributions by members	115	216
Liability at the end of the year	157,501	161,972
Assets at start of the year	141,885	113,733
Expected return on scheme assets	9,668	8,479
Actuarial gains	4,115	26,470
Contributions by employer	1,844	2,112
Contribution by members	115	216
Benefits paid	(9,193)	(9,125)
Assets at end of the year	148,434	141,885
Actual return on scheme assets	13,783	34,949
The fair value of scheme asset investments was as follows –		
	2011 £000	2010 £000
Equities	59,107	61,345
Bonds	61,307	55,921
Other	28,020	24,619
	148,434	141,885

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>20 Retirement benefit obligations continued</b>		
The (income) / expense recognised in the consolidated income statement –		
Current service costs	237	206
Exceptional credit in respect of retirement benefits	(500)	–
Interest on obligation	8,658	8,914
Expected return on plan assets	(9,668)	(8,479)
	<u>(1,273)</u>	<u>641</u>

The (income) / expense is recognised in the following line items in the consolidated income statement –

	2011 £000	2010 £000
Charged to operating profit	237	206
Exceptional credit in respect of retirement benefits	(500)	–
Other finance revenue and expense – retirement benefits	(1,010)	435
	<u>(1,273)</u>	<u>641</u>

The group recognises actuarial gains and losses immediately on the balance sheet through the statement of comprehensive income. The cumulative actuarial net loss reported in the statement of comprehensive income since 1 April 2004 is £5.166 million.

The current best estimate of employer cash contributions to be paid in the year ending 31 March 2012 is £1.553 million. This comprises a payment of £0.953 million as part of the agreed recovery plan and £0.600 million in respect of pension administration costs.

Exceptional credits in respect of retirement benefits of £0.500 million consist of £0.400 million in respect of a pension increase exchange exercise conducted in the year and £0.100 million in respect of gains on curtailments as the scheme was closed to future accrual on 30 September 2010.

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

	2011	2010	2009	2008	2007
Discount rate at 31 March	5.6%	5.5%	7.0%	6.6%	5.3%
Expected return on plan assets at 31 March	7.0%	7.7%	7.1%	7.2%	6.4%
Future salary increases	n/a	4.2%	3.2%	4.5%	4.1%
Inflation	3.6%	3.7%	2.7%	3.5%	3.1%
Future pension increases	2.9%	3.7%	2.7%	3.5%	3.1%
Life expectancy for a male (current pensioner) aged 65	17.1 years	17.0 years	16.7 years	17.3 years	17.3 years
Life expectancy at 65 for a male aged 40	18.8 years	18.7 years	18.0 years	18.7 years	18.7 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2010 – 100%).

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
<b>20 Retirement benefit obligations continued</b>					
The history of the schemes' deficits and experience gains and losses is shown in the following table –					
Present value of funded obligations	<b>(157,501)</b>	(161,972)	(131,657)	(152,655)	(178,586)
Fair value of scheme asset investments	<b>148,434</b>	141,885	113,733	153,512	166,525
Recognised (liability) / asset for defined benefit obligations	<b>(9,067)</b>	(20,087)	(17,924)	857	(12,061)
Actual return on scheme assets	<b>13,783</b>	34,949	(33,167)	(7,271)	18,666
Actuarial gains / (losses) on scheme liabilities	<b>3,788</b>	(30,104)	22,784	28,032	(1,019)

	2011			2010		
	Site closure £000	Deferred consideration £000	Total £000	Site closure £000	Deferred consideration £000	Total £000
<b>21 Provisions</b>						
Provisions at the start of the year – current	<b>502</b>	<b>13</b>	<b>515</b>	475	–	475
Provisions at the start of the year – non current	–	–	–	595	350	945
Deferred consideration reversed in the period	–	<b>(7)</b>	<b>(7)</b>	–	(337)	(337)
Provision established in the period	–	–	–	49	–	49
Provisions used in the period	<b>(502)</b>	<b>(6)</b>	<b>(508)</b>	(617)	–	(617)
Provisions at the end of the year - current	–	–	–	502	13	515

A provision for site closure costs was established on 31 March 2009 of £1.070 million. This arose on the closure of the Slough facility and related to ongoing lease and other property related costs which were deemed to be onerous. The lease on the property terminated in December 2010. In the year to 31 March 2011 the provision was fully utilised. During the year, cash costs of £0.502 million were incurred in respect of the site closure provision.

A provision for deferred consideration of £0.750 million was established on the acquisition of the minority holding in Conductive Inkjet Technology in September 2007. The deferred consideration was dependent upon the achievement of specific sales and profits in the period to 31 March 2010. Based upon the performance of the business, the deferred consideration was reduced by £0.400 million in the year to 31 March 2009 and by £0.337 million in the year to 31 March 2010, leaving a balance of £0.013 million which was expected to be paid in 2010. In the event, a deferred consideration payment of £0.006 million was made with the balance of £0.007 million released. The provision releases have been credited to retained earnings, in line with the original accounting for the acquisition of the minority interest.

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>22 Trade and other payables – falling due within one year</b>		
Trade payables	9,737	9,576
Other taxes and social security costs	824	501
Other creditors	1,343	1,955
Accruals and deferred income	3,215	2,588
Dividends	432	399
	15,551	15,019

	Number of shares	£000
<b>23 Ordinary share capital</b>		
Ordinary shares of 5 pence each –		
<b>Authorised at 31 March 2010 and 31 March 2011</b>	80,000,000	4,000
Issued and fully paid at 31 March 2010	61,421,702	3,071
Shares issued on exercise of share options	140,000	7
<b>Issued and fully paid at 31 March 2011</b>	61,561,702	3,078

During the course of the financial year 140,000 shares were issued in respect of share options at an average exercise price of 110.0 pence per ordinary share. The shares are fully paid.

## NOTES ON THE ACCOUNTS CONTINUED

### 23 Ordinary share capital continued

Outstanding share options are as follows –

	Date granted	Number of shares	Price	Earliest date of vesting
Executive share option schemes	14 September 2005	162,000	80p	to 13 September 2015
	15 September 2006	199,000	77p	to 14 September 2016
	5 December 2007	3,000	95p	to 4 December 2017
	23 June 2008	95,000	86p	23 June 2011 to 22 June 2018
Discretionary share option scheme	13 September 2004	60,000	50p	to 12 September 2014

Outstanding awards under the performance share plan are as follows –

	Date granted	Number of shares	Price	Earliest date of vesting
Performance share plan	23 June 2008	411,000	nil	23 June 2011
	17 December 2009	561,000	nil	17 December 2012
	7 July 2010	196,000	nil	7 July 2013
	6 September 2010	609,000	nil	1 April 2014

The share options have been awarded to the executive directors and senior managers within the group.

The vesting conditions for all share option schemes are three years of service plus the satisfaction of specified performance criteria.

Under the provisions of IFRS 2 a charge is recognised for those share options and awards under the performance share plan issued after 7 November 2002. The estimate of the fair value of the services received is measured based on the Black-Scholes model for share options granted under the executive and discretionary share option schemes. The Monte-Carlo model is used to calculate the fair value of the performance share plan awards. The contractual life of the share options (ten years) is used as an input into this model. Expectations of early exercise are incorporated into the model.

The fair value per share of the awards under the performance share plan granted in the year is as follows –

	6 Sept 2010 Award	2011 7 July 2010 Award	2010 17 Dec 2009 Award
Share price at grant date	155p	159p	131p
Exercise price	0.0p	0.0p	0.0p
Expected volatility	53.5%	52.9%	49.8%
Share price volatility of comparators	14.5%	14.5%	13.5%
Expected dividend yield	1.46%	1.56%	2.8%

The performance share plan award issued on 7 July 2010 has a split performance condition whereby half of the awards would vest after three years based on performance compared to TSR and the remaining half would vest based on EPS performance. Half of the awards will vest on a sliding scale from 25% if EPS growth exceeds RPI by 5% per annum or more over the three year period beginning with the year of grant, rising to 100% if EPS growth exceeds RPI by 12% per annum. The other half of the awards will vest on a sliding scale from 25% if TSR exceeds the median performance of the constituents of the FTSE Small Cap Index over the three year period ending on 31 March 2013 rising to 100% for upper quartile performance.

## NOTES ON THE ACCOUNTS CONTINUED

### 23 Ordinary share capital continued

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

In addition, following his re-election to the board at the 2010 annual general meeting, a conditional award under the performance share plan was made to Ian Williamson on 6 September 2010. The award has a split performance condition whereby half will vest as soon as practicable after 31 March 2013 based on TSR performance compared to the FTSE Small Cap Index and half will vest based on share price performance within a range of 200p and 300p.

The amounts recognised in the income statement arising from equity settled share based payments was a charge of £0.144 million (2010 – £0.175 million).

The number and weighted average exercise prices of share options and performance share plan awards is as follows –

	2011		2010	
	Weighted average exercise price pence	Number of options No.	Weighted average exercise price pence	Number of options No.
Outstanding at 1 April	28.5	2,112,000	49.4	3,069,000
Forfeited during the period	14.5	(206,201)	78.2	(34,000)
Exercised during the period	42.2	(414,799)	59.8	(1,484,000)
Granted during the period	–	805,000	–	561,000
Outstanding at the end of the period	17.3	2,296,000	28.5	2,112,000
Exercisable at 31 March		424,000		552,000
Weighted average remaining life at 31 March		30 months		36 months

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>24 Reserves</b>		
<b>Other reserves</b>		
Other reserves comprise –		
Capital redemption reserve arising on the repurchase of the company's shares	1,330	1,330
Revaluation reserve arising on land and buildings	252	252
Revaluation reserve arising on intangible assets	2,002	2,002
	<u>3,584</u>	<u>3,584</u>

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

### Retained earnings

Netted against retained earnings is the cost of own shares held by the group. The company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the group's share option schemes. As at 31 March 2011 the plan held 52,077 shares (2010 - 74,077 shares). During the year to 31 March 2011, 22,000 shares were disposed in order to satisfy the exercise of share options by certain overseas based managers. The shares were sold at an average exercise price of 95.0 pence per share generating a cash inflow of £0.021 million which has been credited to retained earnings.

## 25 Financial instruments

The group's financial instruments comprise bank loans and overdrafts, cash and short term deposits. These financial instruments are used for the purpose of funding the group's operations. In addition the group has other financial instruments such as trade receivables and trade payables which arise directly from its operational activities.

### Credit risk

Credit risk is the risk of financial loss to the group if a customer or financial institution fails to meet its contractual obligations. The group's credit risk is mainly attributable to its trade receivables which the group mitigates by way of credit insurance. Credit insurance is sought for all customers where exposure is in excess of £10,000. In certain instances credit insurance cannot always be obtained or cover has been withdrawn, for example in the automotive sector. In such instances payment terms are re-negotiated and internal credit limits established. The amounts shown in the balance sheet are after making due provision for any doubtful debts.

The group maintains any surplus cash balances on deposit accounts or legal offset accounts with the group's principal banks which have high credit ratings assigned by independent international credit rating agencies. In addition, the group has undrawn overdraft facilities of £5.583 million at 31 March 2011 (2010 - £10.018 million) which are available to mitigate any liquidity risk.

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>25 Financial instruments continued</b>		
The maximum exposure to credit risk as at 31 March was –		
Quoted investments	6	7
Trade receivables, net of attributable impairment provisions	13,559	13,614
Cash and cash deposits	11,048	10,205
	<u>24,613</u>	<u>23,826</u>

Carclo is a worldwide supplier of components and systems. As a consequence, the group's trade receivables reside across a broad spectrum of countries which potentially increases the attributable credit risk in certain territories. The following table analyses the geographical location of trade receivables, net of attributable impairment provisions.

	2011 £000	2010 £000
United Kingdom	4,552	5,154
Rest of Europe	6,003	4,519
North America	1,850	2,978
Rest of world	1,154	963
Trade receivables, net of attributable impairment provisions	<u>13,559</u>	<u>13,614</u>

## NOTES ON THE ACCOUNTS CONTINUED

### 25 Financial instruments continued

#### Interest rate risk

The group's borrowings are on floating rate terms. In the year to 31 March 2011, interest rates have remained at historic lows in response to the worldwide recession. This has reduced the interest charge borne by the group.

The interest rate profile of financial liabilities by currency of the group as at 31 March was as follows –

	Floating rate interest payable £000
<b>As at 31 March 2011</b>	
Sterling	15,871
US dollar	6,963
Euro	7,148
Other	168
	<u>30,150</u>
<b>As at 31 March 2010</b>	
Sterling	10,100
US dollar	7,658
Euro	7,043
Other	43
	<u>24,844</u>

The interest rate profile of financial assets by currency of the group as at 31 March was as follows –

	Floating rate interest receivable £000	No interest receivable £000	Total £000
<b>As at 31 March 2011</b>			
Sterling	4,847	37	4,884
US dollar	4,348	3	4,351
Euro	1,515	42	1,557
Other	233	23	256
	<u>10,943</u>	<u>105</u>	<u>11,048</u>
<b>As at 31 March 2010</b>			
Sterling	5,094	36	5,130
US dollar	3,647	3	3,650
Euro	1,120	40	1,160
Other	242	23	265
	<u>10,103</u>	<u>102</u>	<u>10,205</u>

The floating rate of interest earned on cash balances is in the range bank base –1% to bank base +2%.

## NOTES ON THE ACCOUNTS CONTINUED

### 25 Financial instruments continued

#### Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group manages this risk by maintaining a mixture of committed long term loan facilities and short term overdraft facilities which have been established to ensure that adequate funding is available to fund its operational and investment activities. The board monitors the group's cash flows against internal targets and thresholds established with the group's bankers.

As detailed in note 18, the group has committed term loan facilities of £20.000 million (2010 - £20.264 million). In addition, the group has overdraft facilities totalling £11.625 million (2010 - £11.613 million). The group's net debt at 31 March 2011 was £19.102 million (2010 - £14.639 million), comfortably within the available facilities.

#### Foreign currency risk

The group has a number of overseas subsidiary operations. The major overseas subsidiaries are located in the United States, France, the Czech Republic, China and India. Hence the balance sheet of the group can be affected by the applicable conversion rates, the sterling / US dollar exchange rate in particular. It is the group's policy to hedge the effect of such structural currency exposures by having borrowings in the appropriate currencies where it is considered efficient to do so. A loan of US \$10.600 million is designated as the hedging instrument against foreign currency exposures in the trading assets operated by the trading subsidiaries in the United States. A loan of €7.500 million is designated as the hedging instrument against foreign currency exposures in the operating assets of the European operations.

In addition the group is subject to transactional currency exposures arising from the sale and purchase of goods and services in currency other than the company's local currency. Historically it has been the group's policy to hedge such exposure where the net exposure in any one currency exceeds £20,000 on any day using forward contracts. However, within the UK Technical Plastics and Precision Products operations opportunities have been exploited to naturally hedge inflows in currency with similar outflows. It is the group's policy not to undertake any speculative transactions.

The fair value of the forward contracts at the start and end of the financial year was immaterial. The cash flows associated with the forward contracts is summarised as follows –

	2011		2010	
	Less than 6 months £000	6–12 months £000	Less than 6 months £000	6–12 months £000
Assets	926	–	357	–
	926	–	357	–

The balance sheet exposure to currency at the year end arising from trading activities is illustrated in the following analysis by currency of the group's trade receivables and trade payables –

	Sterling £000	US Dollar £000	Euro £000	Other £000	Total £000
<b>As at 31 March 2011</b>					
Trade receivables, net of attributable impairment provisions	7,218	3,471	2,367	503	13,559
Trade payables	(4,396)	(2,316)	(2,796)	(229)	(9,737)
Net	2,822	1,155	(429)	274	3,822

## NOTES ON THE ACCOUNTS CONTINUED

	Sterling £000	US Dollar £000	Euro £000	Other £000	Total £000
<b>25 Financial instruments continued</b>					
As at 31 March 2010					
Trade receivables, net of attributable impairment provisions	7,353	3,783	2,217	261	13,614
Trade payables	(4,687)	(2,283)	(2,333)	(273)	(9,576)
Net	<u>2,666</u>	<u>1,500</u>	<u>(116)</u>	<u>(12)</u>	<u>4,038</u>

The following table summarises the main exchange rates used during the year –

	Average rate		Reporting date mid-market rate	
	2011	2010	2011	2010
Sterling / US dollar	<b>1.55</b>	1.58	<b>1.60</b>	1.52
Sterling / Czech koruna	<b>29.2</b>	29.4	<b>27.7</b>	28.5
Sterling / Chinese renminbi	<b>10.4</b>	10.8	<b>10.5</b>	10.4
Sterling / Euro	<b>1.17</b>	1.13	<b>1.13</b>	1.12
Sterling / Indian rupee	<b>70.8</b>	75.7	<b>71.5</b>	68.1

### Fair values

The fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between third parties. Where available, market values are used to determine fair values, otherwise fair values are calculated by discounting expected cash flows at prevailing interest and exchange rates. The fair value of the derivatives and financial instruments detailed above was not materially different to the book value at 31 March 2011 and 31 March 2010. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2011 were insignificant.

### Sensitivity analysis

In managing interest rate and currency risks the group aims to reduce the impact of short term fluctuations on the group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. In the year ended 31 March 2011, it is estimated that a general increase of one percentage point in interest rates would have decreased the group's profit before tax by approximately £0.256 million (2010 – £0.264 million). It is estimated that a general increase of 10% in the value of sterling against the above noted main currencies would have decreased the group's profit before tax by approximately £0.448 million for the year ended 31 March 2011 (2010 – £0.251 million) which is detailed by currency in the following table –

	2011 £000	2010 £000
US dollar	<b>225</b>	82
Euro	<b>81</b>	41
Czech koruna	<b>59</b>	82
Other	<b>83</b>	46
	<u><b>448</b></u>	<u>251</u>

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>26 Cash generated from operations</b>		
<b>Operating profit</b>	<b>6,143</b>	5,451
<b>Adjustments for –</b>		
Pension fund contributions in excess of service costs	(1,607)	(1,906)
Depreciation charge	3,204	3,173
Amortisation of intangible assets	316	183
Share of losses in associated undertaking	10	37
Provisions charged in respect of site closure	–	49
Cash flow relating to provision for site closure	(502)	(617)
Profit on disposal of other plant and equipment	(42)	(78)
Exceptional credit in respect of retirement benefits	(500)	–
Write down of assets charged to rationalisation costs	–	32
Share based payment charge	144	175
	<hr/>	<hr/>
<b>Operating cash flow before changes in working capital</b>	<b>7,166</b>	6,499
<b>Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries)</b>		
(Increase) / decrease in inventories	(2,192)	1,020
Decrease / (increase) in trade and other receivables	1,441	(2,606)
Increase / (decrease) in trade and other payables	385	(1,506)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>6,800</b>	3,407
	<hr/>	<hr/>
	2011 £000	2010 £000
<b>27 Financial commitments</b>		
(a) The directors have authorised the following future capital expenditure which is contracted –	<b>736</b>	900
	<hr/>	<hr/>
(b) The commitment under non cancellable operating leases was as follows –		
	2011 £000	2010 £000
within one year	461	554
within two to five years	1,122	1,393
	<hr/>	<hr/>
	<b>1,583</b>	1,947
	<hr/>	<hr/>

## NOTES ON THE ACCOUNTS CONTINUED

### 28 Related parties

#### Identity of related parties

The group has a related party relationship with its subsidiaries (see note 30), its associate, its directors and executive officers and the group pension scheme.

#### Transactions with key management personnel

Details of directors' remuneration can be found in the remuneration report on pages 27 to 31.

Ian Williamson is a non executive director of Suprajit Engineering Limited ("Suprajit"), a manufacturer of automotive components based in Bangalore, India. Suprajit have provided assistance in the establishment of Carclo's Technical Plastics facility in India including the lease of a manufacturing and storage facility in Bangalore. Payments totalling £0.123 million have been made to Suprajit for these services in the year to 31 March 2011 (2010 - £0.051 million).

#### Group pension scheme

Carclo manages a pensions department which administers the group pension scheme (The Carclo Group Pension Scheme). The associated investment costs are recharged to the scheme in full. The costs in the year ended 31 March 2011 amounted to £0.296 million (2010 - £0.729 million). From 1 April 2007, it has been agreed with the Trustees of the scheme that, under the terms of the recovery plan, Carclo would bear the scheme's administration costs whilst the scheme was in deficit, as calculated at the triennial valuation. Carclo incurred administration costs of £0.724 million which has been charged against the IAS 19 pension scheme deficit (2010 - £0.748 million).

### 29 Accounting estimates and judgements

The key accounting policies and estimates used in preparing the group's report and accounts for the year ended 31 March 2011 have been reviewed and approved by the audit committee. However, it should be noted that if the outcomes in the next financial year are different to the assumptions currently made, based on existing knowledge, then this could give rise to a material adjustment to the carrying value of the related assets. The areas of significant accounting uncertainty are -

#### Impairment of goodwill

Note 11 contains information about the assumptions and their risk factors relating to goodwill impairment.

#### Recoverability of other intangible assets

The development costs and associated intellectual property rights carried on the group balance sheet predominantly stem from the research work undertaken by Conductive Inkjet Technology Limited ("CIT"). The recoverability of these assets is assessed periodically having regard to a prudent assessment of potential future revenue streams so far identified for CIT's patented processes. Projected future cash flows for the next seven years (being half the expected life of the attributable patents) have been discounted back at a rate of 13.25%. The net present value of these cash flows indicates that there is no impairment of the other intangible assets at 31 March 2011. Revenues from CIT are set to grow in the new financial year but the impact on group profits will be limited due to a commensurate increase in the amortisation charge in line with the group's amortisation policy.

The customer related intangible asset arose on the acquisitions of Ultra Auto Cosmetics and Jacotet Industries and represents management's estimate of the fair value of the benefits accruing in respect of their customer distribution networks and unique design drawings to the group. These assets are being amortised over a period of seven years.

#### Fixed asset useful economic lives

The useful economic lives of fixed assets are reviewed annually having regard to any profits or losses arising from the disposal of assets, future capital expenditure programmes and the level of expected manufacturing activity. No adjustment has been made in the year to the estimated economic lives of the group's tangible fixed assets.

#### Pension assumptions

The key assumptions applied to pensions are disclosed in note 20. The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates, mortality rates and commutation. Due to the relative size of the scheme's liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the group balance sheet. For example, an increase in the discount rate by 0.1% (i.e. 5.6% to 5.7%) would decrease the scheme liabilities, and hence the net deficit, by £0.907 million.

## NOTES ON THE ACCOUNTS CONTINUED

### 30 Group entities

#### Control of the group

The group's ultimate parent company is Carclo plc which is incorporated in England.

The ordinary share capital of the subsidiary undertakings are owned by the company except where indicated.

#### Significant subsidiaries

	Country of incorporation	2011 %	2010 %	
<b>Technical Plastics division</b>				
Carclo Technical Plastics Limited	England	100	100	The companies within the Technical Plastics division design and manufacture high quality, close tolerance plastic components for the medical, optical and teletronics industries.
* Carclo Technical Plastics Inc.	USA	100	100	
* Carclo Technical Plastics Shanghai Co. Limited	China	100	100	
* Carclo Technical Plastics (Brno) s.r.o	Czech Republic	100	100	
Carclo Technical Plastics Private Co. Limited	India	100	100	
<b>Precision Products division</b>				
Wipac Limited	England	100	100	The companies within the Precision Products division design and manufacture a range of lighting and control systems for the automotive and aerospace industries.
Birkett Cutmaster Limited	England	100	100	
Bruntons Aero Products Limited	England	100	100	
* Jacottet Industrie SAS	France	100	100	
<b>Conductive Inkjet Technology</b>				
Conductive Inkjet Technology Limited	England	100	100	Applied research into the digital printing of conductive metals onto plastic substrates.

\* Wholly owned by subsidiary undertakings

### 31 Post balance sheet event

Following the year end, discussions were held with Ford in relation to the group exiting their volume automotive communication business over the next 12 to 18 months. In the next financial year, the impact on profit is not expected to be material, however, the discussions are at an early stage over the detailed terms and duration of this exit.

## COMPANY BALANCE SHEET AS AT 31 MARCH

		2011		2010	
	Notes	£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	34	121		88	
Investments	35	799		664	
Investment in subsidiary undertakings	36	110,029		110,029	
			<b>110,949</b>		<b>110,781</b>
<b>Current assets</b>					
Debtors – amounts falling due within one year	37	2,137		6,669	
Debtors – amounts falling due after more than one year	37	60,165		57,575	
Cash at bank and in hand		2,504		2,444	
		<b>64,806</b>		<b>66,688</b>	
<b>Creditors – amounts falling due within one year</b>					
Trade and other creditors	38	5,794		1,512	
Dividends	10	432		399	
		<b>6,226</b>		<b>1,911</b>	
<b>Net current assets</b>					
			<b>58,580</b>		<b>64,777</b>
<b>Total assets less current liabilities</b>					
			<b>169,529</b>		<b>175,558</b>
<b>Creditors – amounts falling due after more than one year</b>					
	39		<b>(120,822)</b>		<b>(122,207)</b>
<b>Net assets excluding retirement benefits</b>					
			<b>48,707</b>		<b>53,351</b>
<b>Retirement benefits</b>					
	41		<b>(6,710)</b>		<b>(14,463)</b>
<b>Total net assets</b>					
			<b>41,997</b>		<b>38,888</b>
<b>Capital and reserves</b>					
Called up share capital	23		<b>3,078</b>		<b>3,071</b>
Share premium	42		<b>8,189</b>		<b>8,042</b>
Merger reserve	42		<b>8,785</b>		<b>8,785</b>
Other reserves	42		<b>1,330</b>		<b>1,330</b>
Profit and loss account	42		<b>20,615</b>		<b>17,660</b>
<b>Equity shareholders' funds</b>					
			<b>41,997</b>		<b>38,888</b>

These accounts were approved by the board of directors on 7 June 2011 and were signed on its behalf by –

**Christopher Ross**  
**Robert Brooksbank** } directors  
 7 June 2011

## NOTES ON THE ACCOUNTS CONTINUED

### 32 Accounting policies for the company

#### a) Accounting convention

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### b) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under section 408(3) of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the consolidated cash flow for all group companies is included within the consolidated financial statements.

As these parent company financial statements are presented together with the consolidated financial statements the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Carclo plc, within which this company is included, are set out on pages 33 to 71.

#### c) Operating leases

Rentals in respect of assets leased under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

#### d) Investments

Fixed asset investments are stated at cost less provision for impairment where appropriate. The directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

#### e) Tangible fixed assets and depreciation

Depreciation is provided at annual rates calculated to write off the gross amount on all other fixed assets on a straight line basis over their expected useful lives of between three and twelve years.

#### f) Deferred taxation

Deferred taxation is recognised as a liability or asset if the transactions or events that give rise to an obligation to pay more tax in future, or a right to pay less tax in future, have occurred by the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### g) Pension benefits

The company operates a defined benefit pension scheme and also makes payments into defined contribution schemes for employees.

The liability in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains and losses. Actuarial gains and losses that arise are recognised in full with the movement recognised in the statement of total recognised gains and losses.

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made the group has no further obligation.

#### h) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## NOTES ON THE ACCOUNTS CONTINUED

### 32 Accounting policies for the company continued

#### i) Financial instruments

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

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

#### j) Share based payments

The company issues equity settled share based payments to certain employees in exchange for services rendered by them. The fair value of the share based award is calculated at the date of the grant and is expensed on a straight line basis over the vesting period with a corresponding increase in equity. This is based on the company's estimate of share options that will eventually vest. This takes into account movement of non market conditions, being service conditions and financial performance, if relevant. The fair value of the equity settled awards granted is not subsequently revisited.

	2011 £000	2010 £000
<b>33 Personnel expenses</b>		
Wages and salaries	1,086	1,048
Social security contributions	114	191
Charge in respect of defined benefit pension schemes	34	86
Charge in respect of defined contribution and other pension plans	111	76
Share based payments (see note 23)	144	175
	<u>1,489</u>	<u>1,576</u>

The average number of employees in the year was 17 (2010 – 18).

## NOTES ON THE ACCOUNTS CONTINUED

	Plant and equipment £000
<b>34 Tangible assets</b>	
<b>Cost or valuation</b>	
As at 1 April 2010	715
Additions	70
Disposals	(17)
<b>As at 31 March 2011</b>	<b>768</b>
<b>Depreciation</b>	
As at 1 April 2010	627
Charge for the year	37
Disposals	(17)
<b>As at 31 March 2011</b>	<b>647</b>
<b>Book value 31 March 2011</b>	<b>121</b>
Book value 31 March 2010	88
	£000
<b>35 Investments</b>	
<b>Investment in Platform Diagnostics Limited</b>	
As at 1 April 2010	664
Additions	135
<b>As at 31 March 2011</b>	<b>799</b>

Carclo holds 32.7% of the voting equity of Platform Diagnostics Limited (2010 – 29.8%).

## NOTES ON THE ACCOUNTS CONTINUED

	At cost £000	Provision £000	Book value £000
<b>36 Investment in subsidiary undertakings</b>			
Investment in subsidiary undertakings	151,267	(41,238)	110,029
<b>At 1 April 2010 and 31 March 2011</b>	<b>151,267</b>	<b>(41,238)</b>	<b>110,029</b>

A list of the main subsidiary undertakings is given in note 30.

	2011 £000	2010 £000
<b>37 Debtors</b>		
Debtors – amounts falling due within one year –		
Amounts owed by subsidiary undertakings	532	4,600
Other debtors	193	380
Prepayments	68	135
Taxation recoverable	1,147	1,113
Deferred taxation (see note 40)	197	441
	<b>2,137</b>	<b>6,669</b>
Debtors – amounts falling due after more than one year –		
Amounts owed by subsidiary undertakings	<b>60,165</b>	<b>57,575</b>
	<b>2011 £000</b>	<b>2010 £000</b>

### **38 Trade and other creditors – amounts falling due within one year**

Bank overdraft	3,036	893
Trade creditors	96	57
Other taxes and social security costs	46	41
Other creditors	205	182
Accruals	591	339
Owed to subsidiary undertakings	1,820	–
	<b>5,794</b>	<b>1,512</b>

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>39 Creditors – amounts falling due after more than one year</b>		
Medium term loans	19,002	18,678
Owed to subsidiary undertakings	101,820	103,529
	<u>120,822</u>	<u>122,207</u>
		<b>Deferred Taxation £000</b>
<b>40 Provisions for liabilities and charges</b>		
As at 1 April 2010		(441)
Charged to the profit and loss account		244
<b>As at 31 March 2011</b>		<u>(197)</u>
Deferred taxation is as follows –		
	2011 £000	2010 £000
Decelerated capital allowances	(186)	(190)
Other short term timing differences	(11)	(251)
	<u>(197)</u>	<u>(441)</u>
The deferred tax balance is included in the following balance sheet heading –		
Debtors	197	441

UK deferred taxation has been provided at 26% being the rate substantively enacted at the period end.

## NOTES ON THE ACCOUNTS CONTINUED

### 41 Retirement benefits

The group operates a defined benefit final salary pension scheme. Actuarial valuations are carried out every three years using appropriate methods as determined by the actuary. The scheme was subject to valuation at 31 March 2009.

The valuations used for the FRS 17 disclosures are based on the most recent actuarial valuations as detailed above and as updated by the scheme's actuary to assess the liabilities of the scheme as at 31 March 2011.

During the year ended 31 March 2011, the company elected to cease future accrual for existing members of the defined benefit scheme.

The method and financial assumptions used to assess the scheme's liabilities under FRS 17 are –

	2011	2010	2009	2008	2007
Valuation method	<b>Projected unit</b>	Projected unit	Projected unit	Projected unit	Projected unit
Rate of increase in salaries	<b>n/a</b>	4.2%	3.2%	4.5%	4.1%
Rate of increase in pensions in payment	<b>2.9% to 3.2%</b>	3.7% to 4.0%	2.7% to 4.0%	3.5% to 4.0%	2.5% to 4.0%
Discount rate	<b>5.6%</b>	5.5%	7.0%	6.6%	5.3%
Inflation rate	<b>3.6%</b>	3.7%	2.7%	3.5%	3.1%
Expected return on equity and property investments	<b>9.3%</b>	8.9%	8.5%	7.5%	7.5%
Expected return on bonds and other investments	<b>5.5%</b>	7.0%	6.6%	5.3%	4.1%

The fair value of assets and liabilities at each balance sheet date were –

	2011	2010	2009	2008	2007
Equities and properties	<b>87,127</b>	85,964	63,665	89,268	112,588
Bonds and other	<b>61,307</b>	55,921	50,068	64,244	54,251
Total market value of assets	<b>148,434</b>	141,885	113,733	153,512	166,839
Actuarial value of liability	<b>(157,501)</b>	(161,972)	(131,657)	(152,655)	(178,052)
(Deficit) / surplus in the schemes	<b>(9,067)</b>	(20,087)	(17,924)	857	(11,213)
Related deferred tax asset / (liability)	<b>2,357</b>	5,624	5,019	(240)	3,363
Net pension (liability) / asset	<b>(6,710)</b>	(14,463)	(12,905)	617	(7,850)

## NOTES ON THE ACCOUNTS CONTINUED

	2011 £000	2010 £000
<b>41 Retirement benefits continued</b>		
Amounts credited / (charged) to operating profit were –		
Current service cost	237	206
Amounts credited / (charged) to other finance income / (costs) were –		
Expected return on pension scheme assets	9,668	8,479
Interest on pension liabilities	(8,658)	(8,914)
	<b>1,010</b>	<b>(435)</b>
Analysis of amounts recognised in the statement of total gains and losses –		
Actual return less expected return on scheme assets	4,115	26,470
Changes in assumptions underlying the present value of scheme liabilities	2,348	(30,104)
Actuarial gain due to statutory change to CPI for deferred revaluation and pension increases	1,440	–
	<b>7,903</b>	<b>(3,634)</b>
The amounts recognised in the balance sheet in respect of the defined benefit schemes are as follows –		
Present value of funded obligations	(157,501)	(161,972)
Fair value of scheme assets	148,434	141,885
Recognised liability for defined benefit obligations	<b>(9,067)</b>	<b>(20,087)</b>
Movements in the present value of defined benefit obligations and scheme assets –		
Liability at the start of the year	161,972	131,657
Current service cost	237	206
Interest cost	8,658	8,914
Actuarial (gains) / losses	(2,348)	30,104
Actuarial gain due to statutory change to CPI for deferred revaluation and pension increases	(1,440)	–
Exceptional credit in respect of retirement benefits		
In respect of past service costs	(400)	–
In respect of gains on curtailments	(100)	–
Benefits paid	(9,193)	(9,125)
Contributions by members	115	216
Liability at the end of the year	<b>157,501</b>	<b>161,972</b>
Assets at start of the year	141,885	113,733
Expected return on scheme assets	9,668	8,479
Actuarial gains	4,115	26,470
Contributions by employer	1,844	2,112
Contributions by members	115	216
Benefits paid	(9,193)	(9,125)
Assets at end of the year	<b>148,434</b>	<b>141,885</b>

## NOTES ON THE ACCOUNTS CONTINUED

	2011	2010	2009	2008	2007
<b>41 Retirement benefits continued</b>					
The history of experience gains and losses is shown in the following table –					
Difference between expected and actual return on scheme assets	<b>£4.115 million</b>	£26.470 million	(£43.902) million	(£18.007) million	£8.645 million
Percentage of schemes assets	<b>2.8%</b>	18.7%	(38.6)%	(11.7)%	5.2%
Experience gains and losses on scheme liabilities	<b>nil</b>	nil	nil	nil	£1.866 million
Percentage of schemes liabilities	<b>nil%</b>	nil%	nil%	nil%	1.0%
Total amount recognised in statement of total recognised gains and losses	<b>£7.903 million</b>	(£3.634) million	(£21.118) million	£9.491 million	£7.602 million
Percentage of schemes liabilities	<b>5.0%</b>	(2.2)%	(16.0)%	6.2%	4.3%

	Share premium £000	Merger reserve £000	Other reserves £000	Profit and loss account £000	Total £000
<b>42 Reserves</b>					
Balance at 1 April 2010	<b>8,042</b>	<b>8,785</b>	<b>1,330</b>	<b>17,660</b>	<b>35,817</b>
Profit for the year	–	–	–	<b>(1,953)</b>	<b>(1,953)</b>
Share based payments	–	–	–	<b>144</b>	<b>144</b>
Actuarial movement on retirement benefit obligations	–	–	–	<b>7,903</b>	<b>7,903</b>
Deferred tax on actuarial movement on retirement benefit obligations	–	–	–	<b>(2,761)</b>	<b>(2,761)</b>
Exercise of share options	<b>147</b>	–	–	–	<b>147</b>
Issue of shares	–	–	–	<b>21</b>	<b>21</b>
Sale of own shares	–	–	–	<b>(406)</b>	<b>(406)</b>
Adjustment to deferred consideration	–	–	–	<b>7</b>	<b>7</b>
<b>Balance at 31 March 2011</b>	<b>8,189</b>	<b>8,785</b>	<b>1,330</b>	<b>20,615</b>	<b>38,919</b>

The company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the group's share option schemes. As at 31 March 2011 the plan held 52,077 shares (2010 - 74,077 shares). The original cost of these shares was £0.063 million (2010 - £0.089 million). The cost of the shares has been charged against retained earnings.

## NOTES ON THE ACCOUNTS CONTINUED

	Land and buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>43 Operating leases</b>				
The annual commitment under non cancellable operating leases was as follows –				
Leases expiring –				
Within one year	–	–	14	14
Within two to five years	33	–	–	–
	<b>33</b>	–	<b>14</b>	14

### 44 Contingent liabilities

The company has entered into cross guarantee arrangements relating to the bank borrowings of its UK subsidiary operations and a letter of credit in support of the term loan borrowings of the subsidiary operations in the United States and India. The maximum obligations under these arrangements at 31 March 2011 was £8.389 million (2010 - £5.339 million).

There are contingent liabilities arising in the ordinary course of business, in respect of litigation, which the directors believe will not have a significant effect on the financial position of the group.

### 45 Profit and loss account

The loss after tax for the year dealt with in the accounts of the company amounts to £0.693 million (2010 - a profit of £7.917 million) which, after dividends of £1.260 million (2010 - £1.175 million), gives a retained deficit for the year of £1.953 million (2010 - a surplus of £6.742 million).

## FIVE YEAR SUMMARY

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Revenue	<b>88,645</b>	81,152	87,436	81,274	79,055
Underlying operating profit	<b>5,917</b>	5,669	6,212	5,713	4,819
Non recurring items	<b>226</b>	(218)	(2,705)	(1,337)	2,568
Profit before financing costs	<b>6,143</b>	5,451	3,507	4,376	7,387
Net financing credit / (charge)	<b>629</b>	(828)	144	126	(198)
Profit before tax	<b>6,772</b>	4,623	3,651	4,502	7,189
Overseas sales as a percentage of total sales	<b>69.9%</b>	63.7%	63.2%	58.7%	57.0%
Underlying operating margin	<b>6.7%</b>	7.0%	7.1%	7.0%	6.1%
Net margin	<b>7.6%</b>	5.7%	4.2%	5.5%	9.1%
Tax rate	<b>11.4%</b>	20.5%	12.5%	0.0%	9.9%
Earnings per share					
Basic	<b>9.6p</b>	5.9p	5.1p	7.7p	12.1p
Underlying	<b>9.6p</b>	6.6p	9.8p	10.5p	7.6p
Dividend per share	<b>2.2p</b>	2.0p	2.0p	1.9p	1.6p
Underlying dividend cover	<b>4.4x</b>	3.3x	4.9x	5.5x	4.8x
Underlying bank interest cover	<b>15.5x</b>	14.4x	8.2x	5.6x	3.6x
Non current assets	<b>73,738</b>	70,775	69,245	57,758	55,244
Net current assets excluding cash, bank and finance leases	<b>13,903</b>	13,460	11,748	11,228	11,705
Net debt	<b>(19,102)</b>	(14,639)	(17,874)	(13,746)	(12,805)
Other non current liabilities	<b>(14,208)</b>	(24,989)	(23,388)	(4,785)	(15,703)
Total shareholders' funds	<b>54,331</b>	44,607	39,731	50,455	38,441
Post tax return on shareholders' funds	<b>11.0%</b>	8.2%	8.0%	8.9%	16.8%
Gearing (excluding net pensions balance)	<b>31.3%</b>	24.8%	34.0%	27.6%	27.3%
Assets per share	<b>88p</b>	73p	69p	88p	68p
Capital expenditure as a multiple of depreciation	<b>2.2x</b>	0.9x	1.1x	1.1x	0.8x
Number of shareholders at 31 March	<b>1,688</b>	1,675	1,700	1,794	1,874
Average number of employees in year	<b>1,074</b>	996	1,133	1,138	1,106
Added value per employee	<b>£32,437</b>	£29,384	£27,626	£27,431	£29,495

## INFORMATION FOR SHAREHOLDERS

### (a) Share price history

Share price per 5p ordinary share at close of business 31 March 1982: 11.6p

Calendar year	Low	High	Calendar year	Low	High
2002	26p	57p	2007	88p	132½p
2003	17p	46p	2008	47½p	96p
2004	37p	54p	2009	48½p	150½p
2005	48½p	89p	2010	133½p	241½p
2006	62p	100p	2011 to date	239p	327p

### (b) Share price information

FT Cityline telephone number for share price information

For share price information on Carclo call FT Cityline on 0905 8171 690

### (c) Further information on Carclo plc

Further information on Carclo plc can be found on the internet at [www.carclo-plc.com](http://www.carclo-plc.com)

## Financial calendar 2011/12

Annual general meeting 2011	16 September 2011
Final dividend for 2010 payable to members on the register on 19 August 2011	23 September 2011
Ex-dividend date	17 August 2011
Interim report for the half year ending 30 September 2011	22 November 2011
Preliminary announcement of the results for the year ending 31 March 2012	12 June 2012

## NOTICE OF MEETING

### **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your shares in Carclo plc, please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

### **Notice of annual general meeting**

Notice is hereby given that the eighty eighth annual general meeting of the company will be held at the Holiday Inn, Junction 40, M1, Ossett, West Yorkshire on Friday, 16 September 2011 at 12.00 noon for the transaction of the following business -

To consider and, if thought fit, pass the following resolutions, of which numbers 1 to 4 will be proposed as ordinary resolutions and numbers 5 to 8 will be proposed as special resolutions.

#### **Ordinary business**

1. To receive the directors' and auditor's reports and the accounts for the year ended 31 March 2011.
2. To approve the directors' remuneration report for the year ended 31 March 2011.
3. To declare a final dividend.
4. A. To re-appoint KPMG Audit Plc as auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company.  
B. To authorise the directors to fix the remuneration of the auditors.

#### **Special business**

To consider and if thought fit pass the following ordinary resolution -

5. That the directors are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that -
  - (a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £1,026,078;
  - (b) this authority shall expire on 1 December 2012 or, if earlier, on the conclusion of the company's next annual general meeting;
  - (c) the company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry; and
  - (d) all authorities vested in the directors on the date of the notice of this meeting to allot shares or to grant Allotment Rights, or to allot relevant securities (as defined in the Companies Act 1985), that remain unexercised at the commencement of this meeting are revoked.

## NOTICE OF MEETING CONTINUED

To consider and if thought fit pass the following special resolutions –

6. That the directors are empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities, as defined in section 560 of that Act, pursuant to the authority conferred on them by resolution 6 in the notice of this meeting or by way of a sale of treasury shares as if section 561 of that Act did not apply to any such allotment, provided that this power is limited to -
  - (a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Services Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and
  - (b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £153,912, and shall expire when the authority conferred on the directors by resolution 6 in the notice of this meeting expires save that, before the expiry of this power, the company may make any offer or agreement which would or might require equity securities to be allotted after such expiry.
7. That the company is generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of that Act) of ordinary shares of 5p each in its capital, provided that -
  - (a) the maximum aggregate number of such shares that may be acquired under this authority is 6,156,470;
  - (b) the minimum price (exclusive of expenses) which may be paid for such a share is its nominal value;
  - (c) the maximum price (exclusive of expenses) which may be paid for such a share is the maximum price permitted under the Financial Services Authority's listing rules or, in the case of a tender offer (as referred to in those rules), five per cent above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange's Daily Official List) for the five business days immediately preceding the date on which the terms of the tender offer are announced;
  - (d) this authority shall expire on 1 December 2012 or, if earlier, on the conclusion of the company's next annual general meeting; and
  - (e) before such expiry the company may enter into a contract to purchase shares that would or might require a purchase to be completed after such expiry.
8. That any general meeting of the company that is not an annual general meeting may be called by not less than 14 clear days' notice.

By order of the board

**Eric Cook**

Secretary

27 Dewsbury Road, Ossett

24 June 2011

## NOTICE OF MEETING CONTINUED

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### Notes

1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.
2. The right of a member of the company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by 6.00 p.m. on 14 September 2011 in order to be entitled to attend and vote at the meeting as a member in respect of those shares.
3. A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this notice of meeting. To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Equiniti, the company's registrars, so as to be received by 12.00 p.m. on 14 September 2011. Members who hold their shares in uncertificated form may use "the CREST voting service" to appoint a proxy electronically, as explained below. Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish.
4. Any person to whom this notice is sent who is currently nominated by a member of the company to enjoy information rights under section 146 of the Companies Act 2006 (a "nominated person") may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting. If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
5. As at 17 June 2011 (the latest practicable date prior to the printing of this document) (i) the company's issued share capital consisted of 61,564,702 ordinary shares, carrying one vote each, and (ii) the total voting rights in the company were 61,564,702.
6. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the company must cause to be answered. Information relating to the meeting which the company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at [www.carclo-plc.com](http://www.carclo-plc.com). A member may not use any electronic address provided by the company in this document or with any proxy appointment form or in any website for communicating with the company for any purpose in relation to the meeting other than as expressly stated in it.
7. It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the company's latest audited accounts since the previous annual general meeting. The company cannot require the members concerned to pay its expenses in complying with those sections. The company must forward any such statement to its auditors by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

## NOTICE OF MEETING CONTINUED

8. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in “the CREST voting service” section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a “CREST proxy appointment instruction”) must be properly authenticated in accordance with the specifications of CREST’s operator, Euroclear UK & Ireland Limited (“Euroclear”), and must contain all the relevant information required by the CREST Manual which can be viewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Equiniti, (ID RA19), as the company’s “issuer’s agent”, by 12.00 p.m. on 14 September 2011. After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message’s receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer’s agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on “Practical limitations of the system”. In certain circumstances the company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.
9. Members meeting the threshold requirements in sections 338 and 338A of the Companies Act 2006 have the right to require the company (i) to give to members entitled to receive notice of the meeting notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company’s constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or (as applicable) the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the company not later than 5 August 2011, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

A form of proxy is enclosed.

## NOTES

**NOTES** CONTINUED

**NOTES** CONTINUED



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