carclo

Carclo plc
("Carclo" or the "Group")

Preliminary Results for the year ended 31 March 2018

Carclo plc, the global manufacturing group, announces results for the full year ended 31 March 2018.

Highlights

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Revenue		
Technical Plastics	**89,653**	87,814
LED Technologies	**50,589**	43,419
Aerospace	**5,972**	7,049
Total	**146,214**	**138,282**
Underlying* operating profit		
Technical Plastics	**6,673**	8,707
LED Technologies	**6,422**	5,885
Aerospace	**747**	1,303
	13,842	**15,895**
Unallocated	**(3,031)**	(3,397)
Total	**10,811**	**12,498**
Exceptional items	**(904)**	**(541)**
Operating profit	**9,907**	**11,957**
Underlying* profit before tax	**9,071**	**11,019**
Profit before tax	**8,167**	**10,478**
Basic earnings per share	**11.6p**	**11.5p**
Underlying* earnings per share	**9.8p**	**12.1p**
Net debt	**31,476**	**26,025**
IAS 19 Retirement Benefit Liability	**29,798**	**32,503**

- Revenue increased by 5.7% to £146.2 million
- Operating profit reduced to £9.9 million from £12.0 million in the previous year
- Divisional underlying* operating profit was £13.8 million (2017 – £15.9 million) and Group underlying* operating profit was £10.8 million (2017 – £12.5 million)
- Profit before tax of £8.2 million (2017 - £10.5 million). Underlying* profit before tax of £9.1 million (2017 - £11.0 million)
- Another encouraging performance by LED Technologies, once again driven by the Wipac luxury and supercar lighting business
- Continuing growth in revenue in Technical Plastics but a reduction in profitability due to programme timing and operational issues

- Well placed to see consistent improvements in profitability and cash generation over the medium term

*underlying is defined as before all exceptional items

Commenting on the results, Michael Derbyshire, Chairman said -

"The Group's strategy over recent years has been to create sustainable growth in revenues and operating profits through the development of innovative and highly efficient solutions for our existing and new customers to ensure that they enjoy real benefits accruing from working in partnership with us.

While the year has been disappointing, the Board remains confident in the underlying strength of the Group and its people to recapture the momentum of recent years and to drive significant value for our shareholders in the future."

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For further information please contact:

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Nick Oborne	

A presentation for analysts will be held at **9.30 a.m.** today at the offices of Weber Shandwick, 2 Waterhouse Square, 140 Holborn, London EC1N 2AE.

About Carclo

Carclo plc is a public company whose shares are quoted on the Main Market of the London Stock Exchange.

Carclo's strategy is to develop and expand its key manufacturing assets in markets where there remain significant further opportunities to drive shareholder value. To enhance profit margins and support its customers, the Group has been investing across its global footprint.

Approximately three fifths of Group revenues are generated from the supply of fine tolerance, injection moulded plastic components, mainly for medical products. The balance of Group revenue is derived mainly from the design and supply of specialised injection moulded LED based lighting systems to the premium automotive industry.

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

The results for the year ended 31 March 2018 were disappointing. Whilst our customer development activities continued to be strong and our strategy to grow our business and expand our footprint maintained recent momentum, delays in the placement of certain customer project awards and some weaknesses in operational performance, particularly within Carclo Technical Plastics ("CTP"), meant the Group did not achieve its profit targets. The Group has taken immediate action to improve operational performance and following a full operational review has implemented a significant number of improvements across its operations.

The Group remains focused on growth and its repositioning with its customers as a key partner has created excellent foundations for the coming years. We remain confident that we are in position to support our previously stated long term objectives of increasing underlying operating profit margins and generating an improved return on investment.

Financial

- Revenue increased by 5.7% to £146.2 million

- Divisional underlying operating profit was £13.8 million (2017 - £15.9 million) and Group underlying operating profit was £10.8 million (2017 - £12.5 million), down 13.5% on the prior year

- Net exceptional charge of £0.9 million (2017 - £0.5 million) related primarily to rationalisation costs

- Underlying profit before tax of £9.1 million (2017 - £11.0 million), down 17.7% on the prior year

- Group reported profit before tax of £8.2 million (2017 – £10.5 million)

- Tax credit of £0.3 million (2017 – expense of £2.5 million) largely reflecting deferred tax liabilities reducing following the US tax rate changes

- Underlying Earnings per share decreased to 9.8 pence (2017 – 12.1 pence) due to the lower reported profit. Earnings per share increased to 11.6 pence (2017 – 11.5 pence) due to the lower tax charge

- Group capital expenditure was £9.3 million (2017 - £8.2 million excluding items acquired as part of the acquisitions in that year), reflecting our investment strategy to deliver sustainable growth and to increase return on capital over the coming years

- As expected net debt of £31.5 million was higher than the prior year (2017 - £26.0 million)

- The Group's pension deficit net of applicable deferred tax under IAS 19 "Employee Benefits" has decreased to £24.7 million (2017 - £27.0 million)

Strategic and Operational

- In CTP, revenue increased however underlying operating profits and margins were lower than the prior year. Underlying operating profit decreased from £8.7 million to £6.7 million with the operating margin at 7.4%, down from last year's 9.9%. We continued to increase our geographical footprint during the year with the successful completion of the expansions at Mitcham, UK and Bangalore, India. There is no further expansion planned in the short term as our current facilities now leave the division well placed to grow and support its key customers

- LED Technologies again increased sales and underlying operating profit albeit with a slight decrease in operating margin reflecting our upfront investment in forthcoming production releases. As previously reported, some expected new design project awards were delayed in the year by customers but the business remains well positioned for continued growth. The introduction of some of the larger projects into the product manufacturing stage will lessen the reliance on new project awards and drive scale benefits into the division

- The Aerospace division continues to generate solid profits and cash flows albeit at a lower level than previously due to the completion of a multi-year spares contract in the year

Dividend

The Board is not recommending the payment of a dividend. It recognises the need to reward shareholders and for them to participate in the growing profitability of the business. The Board intends to recommence dividend payments when confident that a sustainable and regular dividend can be reintroduced.

Employees

I would like to thank the employees of Carclo for their continuing and substantial contribution to the progress made by the business this year.

Board Changes

As announced in January, Robert Brooksbank left the Group to pursue other career and business opportunities at the end of the financial year and the Board would once again like to thank Robert for his significant contribution to Carclo over the 14 years he served as Group Finance Director. We recently announced that Sarah Matthews-DeMers has been appointed to take over this role and she will become Group Finance Director on 18 July 2018. Sarah joins us from Rotork plc where she was Director of Strategy and Investor Relations.

As was also confirmed in January, I will retire as Chairman at the upcoming AGM in July after nearly 6 years in the role and over 12 years on the Board. Mark Rollins, who joined the Board in January 2018, will become Chairman and he has a wealth of experience having been Group Chief Executive of Senior plc for many years and I am sure that he will help drive Carclo forward in the coming years.

Finally Robert Rickman also retired from the Board at the end of December 2017 after nearly 6 years as a Non Executive Director. Robert made a substantial contribution to the strategic direction of the Group and the Board would once again like to thank him for his service.

Outlook

The Group's strategy over recent years has been to create sustainable growth in revenues and operating profits through the development of innovative and highly efficient solutions for existing and new customers to ensure that they enjoy real benefits accruing from working in partnership with us.

While this year has been disappointing, the Board remains confident in the underlying strength of the Group and its people to recover the momentum of recent years and to drive significant value for our shareholders in the future.

Michael Derbyshire
5 June 2018

OVERVIEW

Overall the Group delivered a disappointing performance compared to our expectations coming into the year and the results of the prior year. Underlying operating profit was £10.8 million (2017 - £12.5 million) and underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") was £15.8 million (2017 - £17.2 million). This was despite an increase in overall Group revenue to £146.2 million (2017 - £138.3 million), which represented an annual compounded growth rate of 11% over the last five years.

As reported at the interims, the Group faced certain operational challenges within its CTP Division. These were mainly the result of labour shortages impacting efficiencies, exacerbated by a lag in the contractual pass through of resin price increases to customers. These factors impacted operating margins in the first half of the financial year. At the same time, we reported that demand from one of the Group's major non-medical customers for the CTP Division had been significantly below our previous expectation and the performance in the prior year.

In addition, historically strong revenue streams from product design, tooling and customer validation activities across both the CTP and LED divisions, being major contributors to the near doubling of turnover over the last five years, proved less predictable. Customer delays in placing new projects in the second half resulted in lower than expected profit being reported due to the stage of completion of these projects at the year-end. Encouragingly, the Group has subsequently been awarded several of these delayed customer projects across both divisions with all but one of the remaining contracts expected to be awarded in this current financial year.

This performance has exposed weaknesses in operational performance, particularly within CTP, which have been compounded by the validation and production start-up phases on the introduction of new customer programmes.

As reported in January 2018, the Board recognised that there has been an ongoing reliance upon winning new tooling and automation contracts to drive profitability, particularly in Technical Plastics, and that such reliance needs to be mitigated by higher and more sustainable underlying operating margins and cash flows from CTP's existing manufacturing business.

Accordingly, the Group has undertaken a fundamental review of the CTP division, particularly focusing on operating efficiencies and subsequent margins and cash flows. This review was wide ranging and looked at **C**ash generation, **O**perational performance, **M**anagement effectiveness and customer **P**ricing, ("COMP"). The review has generated a clear action plan targeting improvements across the Division in all COMP areas.

The results of the review have impacted many aspects of the CTP division. Changes have been made to the Divisional leadership team, including the appointment of a new Divisional Chief Executive, and Lean manufacturing principles have been re-introduced. Priority has been given to a continuous improvement philosophy across all CTP sites, recognising that momentum in this area has slowed during recent years, partly due to the distraction of the various site expansions undertaken to meet the high rate of growth in revenues. The COMP action improvement plan is well underway and whilst there will be some early benefits from these improvements in the new financial year, the philosophy of these activities will mean that the benefits will build into future years.

The COMP review and subsequent Lean manufacturing activities have included participation from many of our employees, which has already had a direct positive impact on their motivation, contribution and retention. The Group appreciates that it can only improve its performance with the help of all of its workforce and I thank them for their considerable contribution to this end.

During the year the Group completed the reconfiguration of the CTP footprint with the opening of new production units in Mitcham, UK and Bangalore, India as well as the completion of the first medical production cell in Brno, Czech Republic. These expansions are customer-led and so leave CTP well placed to continue to grow and support its major customers.

Within the LED Division, Wipac constructed a new warehouse on its Buckingham site in order to free up production space in the main factory. This will allow Wipac to continue to move existing design programmes into their production phases. In addition, early in the new financial year, Wipac has entered into a lease for a further office building adjacent to its main site which will be used to accommodate the expanded UK design team. There are no further reconfigurations planned for the coming year and this will aid management's focus on operational improvements.

Whilst I am disappointed by the Group's weaker than expected financial performance during the year, I remain convinced that the changes we have made to the Group over the last five years, and the strategic focus on the targeted growth of our two main Divisions, will deliver a successful future for the Group.

Key Performance Indicators ("KPIs")

Our three primary operational KPIs focus on Return on Capital Employed, revenue growth and improvements in underlying operating margin. Alongside these KPIs we have a range of other important internal KPIs that cover Overall Equipment Effectiveness ("OEE"), employee retention, health & safety performance, customer satisfaction, delivery performance and cash collection

Divisional review

Carclo Technical Plastics ("CTP")

Revenues increased by 2.1% to £89.7 million from £87.8 million. Underlying operating profit decreased from £8.7 million to £6.7 million with the operating margin at 7.4%, down from last year's 9.9%.

Over the last 5 years the Division has experienced growth in sales from £58.1 million to £89.7 million, a CAGR of 11.5%. This growth, and the corresponding requirement to expand its footprint has resulted in key sites, most notably the two sites in Pennsylvania, US, struggling to maintain their targeted operating margins.

This issue was exemplified in the first half of the financial year with direct employee turnover becoming unsustainably high. CTP USA's ability to recruit new employees was impacted by strong local labour market conditions. This led to high employee turnover and this, and subsequent new employee induction training, directly impacted our operational efficiencies. CTP USA maintained its headcount at broadly the required levels in the second half of the year, but employee turnover remained much higher than we consider acceptable despite the introduction of a number of employee friendly initiatives. We faced similar issues in our Czech plant but were able to deal with these headcount shortages by the mid-point of the year.

It was evident that our growth and the resultant recruitment of new employees had put a strain on the business and the positive culture that had been the backbone of CTP USA over many years. Steps were taken in January to address this, changing the Divisional Chief Executive and some parts of the local leadership team as part of our focus on the Division's priorities. This was driven by the wider global COMP initiative of which there were four major elements:-

- A Cash initiative focussed mainly on working capital management. This included a review of contracted customer and vendor commitments, inventory turnover and supply chain efficiency. The cash generation benefits of this initiative are already being delivered with further benefits forecast to become evident throughout the current financial year and beyond.

- Operational Excellence has historically been the backbone of our operational culture. The growth in both customer revenues and consequently our workforce over recent years has meant that improvements in performance had slowed and our continuous improvement culture had diminished. The reintroduction of Lean manufacturing and Continuous Improvement principles is now underway. Our investment in this area and the inclusion of all of our employees in the concepts of COMP and Lean manufacturing is already having a major positive cultural impact, such as significantly reduced labour turnover in a short period, and we are seeing the benefits across the Division. We have externally trained over forty employees in Lean manufacturing since we introduced the COMP initiative. This training has taken place across several of our locations with more training to follow early in the current financial year encompassing all sites.

- Management - The COMP review resulted in the decision to appoint a new Divisional Chief Executive towards the end of the financial year and to create a new role of Divisional Continuous Improvement Director, which has been filled subsequent to the year-end. Further changes in management were made across certain sites as we prioritised our Lean objectives and sought to reinvigorate our operations.

- Pricing - A review of key customer and product margins has been undertaken and a number of price changes have been successfully implemented where pricing was deemed to have fallen below "market" levels. Further actions are planned as we renegotiate several older contracts. The full impact of these changes will not be felt until 2019/20 due to contract renewal timings.

As we enter the current financial year, our focus is to improve our operating margins through manufacturing initiatives and subsequent efficiency improvements. We have action teams reporting weekly on performance improvements which are primarily centred around Overall Equipment Effectiveness ("OEE") improvements, scrap reduction, labour productivity, automation projects and Setup Time Reduction ("SMED") projects.

At both the end of the first half of the financial year and at the year-end, we experienced delays in the placement of large design, validation and tooling projects. Towards the end of the financial year four large programme awards for existing medical device customers slipped in timing versus our forecasts. The largest of these programmes was placed just prior to year-end and the second largest, which relates to the second phase of an existing programme has been deferred from January 2018 to later in the current financial year due to delays in the customer expanding its own assembly capabilities. The two smaller programmes were placed at the start of the current financial year. The level of validation and tooling revenues is a variable and relies on a combination of customer asset replacement programmes as well as new business development; these are rarely known with accuracy as we enter new financial periods and therefore forecasting is difficult.

At the start of the financial year, the Division experienced increases in the price of plastic resins, particularly specialist engineering grades. In part, these resin price increases were due to production shortages in the USA following Hurricane Harvey. Our customer contracts contain pass through formulas for resin price changes but there is an inevitable delay in passing on some of the increases, particularly for some of the longer standing contracts. All such major customer contracts have subsequently been renegotiated so that pass throughs are processed more quickly in the event of these kind of exceptional circumstances occurring.

Market demand for our products within the medical sector has remained strong. There have been no changes to our target market; we continue to see customers taking a global outlook and our international footprint continues to meet their aspirations. As reported last year, we have focussed on improving the capabilities of our Czech facility to better meet the medical market and earlier this year we secured our first large new medical business contract which will move into production mid-way through the current financial year. The Mitcham, UK extension was opened early in 2018 and production for the Becton Dickinson ("BD") Vystra program commenced on time.

Our Bangalore, India operation has a high dependence on a major non-medical customer and this, along with other, mainly Czech, non-medical customer programmes generated weak and unpredictable demand during the year. Whilst we do not intend to exit profitable non-medical business, we continue to recognise that medical programmes offer greater longevity and stability and our strategy remains to increase the proportion of medical work over the longer term. The extension of our Bangalore factory was completed earlier in the year. Whilst this will provide some growth capabilities for our existing major customer in India, more significantly it allows CTP India to begin to develop opportunities in the Medical sector supported by a facility that meets the needs of this market.

The Taicang, China operation met its objective of becoming profitable during the year as we scaled up production for our main medical customer and commenced production for several other global medical accounts. We remain committed to growing our revenues and profits in this region and are confident that we have good growth opportunities in this market, demonstrated by multiple opportunities in our sales pipeline. Some current customer uncertainty around the possible US-China trade dispute is impacting the speed of decision making.

Since we acquired our Derry, New Hampshire, operation (previously known as PTD) in October 2016, we have successfully integrated the business into our larger US operation and focussed on the development of key customers whilst exiting certain customer programmes that did not match our strategy. During the year we also secured multiple tooling programs from the wider Division and processed these tool builds through the Derry operations, realising improved margins from internal manufacture. Our first large synergistic opportunity was secured early in the current financial year, through securing high volume business for our wider operation from an existing Derry customer.

CTP has had a very challenging year. However, the actions we have taken are already having a positive impact on the Division's financial performance. The focus in the current financial year is on improving operating margins and creating a revitalised continuous improvement culture in order that we are better prepared for our next phase of growth.

LED Technologies including Wipac

Revenue grew from £43.4 million to £50.6 million during the year. Underlying operating profit increased from £5.9 million to £6.4 million with the operating margin reduced from 13.6% to 12.7%.

During the financial year we saw slower than anticipated production ramp up on vehicle manufacture from some of the smaller customers we work with. In addition one higher volume vehicle did not match the prior year volumes, leaving the Division more dependent upon revenue from new design programmes than anticipated at the start of the year. Consequently there was reduced scope to deal with unexpected slippages in placement of new design contracts. In January we reported that three new Wipac design and development contracts had been delayed, thereby reducing the Division's anticipated profit for the year. The first of these was awarded just prior to the year-end and we anticipate that the second will be awarded at the end of the first half of the current financial year; Wipac is supporting the project via an extended funded pre-design contract with the customer, ensuring that we remain well placed to receive the eventual programme award. The third project is unlikely to be awarded to Wipac due to a change in the customer's cost aspirations which are incompatible with Wipac's business model.

Our strategic objective has been to build a larger manufacturing business with significantly improved sales value for lighting systems. This reflects our recognition that the existing manufacturing business lacked scale and that a disproportionate amount of margin was earned from design and tooling phases. Wipac has significant capabilities and robust enough systems in place to handle significant growth. This growth is complex and demanding and margins generally only settle at targeted levels once planned production ramp ups have fully taken place.

This strategic shift has taken over three years to implement. However, Wipac is now set to benefit from a large increase in the number of new vehicle programmes moving into production during the current financial year. Validations and pre-production build stages on a number of these programmes took place in the financial year, incurring costs ahead of corresponding revenue to be received in the current year.

Whilst validation work has gone well, our reliance on external vendors for both production tooling and certain metallisation services has put strain on Wipac's technical teams. In order to support this, and in preparation for further production validation and launches, we invested in engineering and support services at an accelerated rate during the year versus our long term plan, again putting pressure on margins. We expect to have completed some of the more complex programme production introductions relatively early in the new financial year which should enable us to balance our resources more in line with our prior planning moving forward.

Overall the market demand for supercars and luxury cars has been much as expected. Our revenue per vehicle varies depending on such factors as the number of lamps per vehicle, lamp complexity and size. Two of the vehicles on which Wipac generates high values per vehicle did not sell in their end markets at the expected levels during the financial year. While in part mitigated by Wipac sales to lower value vehicles from the same customers this, together with slower production ramp ups from certain customers, resulted in Wipac's overall product sales values being behind our original forecasts. As we have learned more about the trends in our customer base, we have factored these into our planning.

Our acquisition of FLTC in March 2017 was well timed and the acquired business, now Wipac Czech, has made an excellent contribution to our technical resource availability.

The strategic move into the medium volume sector (over 10,000 vehicles per year) has resulted in the number of customer RFQs (Request for Quotations) increasing over prior years. We have been careful to only consider opportunities that met our commercial targets and we declined several opportunities during the year which, while delivering short term profit benefits, would not have served us well in the longer term.

Of the three pre-existing medium volume programmes, two will enter into production during the coming months and the largest by the summer of 2019. Once the latter program enters production, our manufacturing cell will act as a showpiece for similar high value projects as the production lines will be at the leading edge of the industry. This should open up further possibilities with other potential customers in this volume sector.

As disclosed last year, Wipac has constructed a new warehouse on its existing site to alleviate storage capacity shortfalls and to allow a transfer of warehousing from the main factory building to free up further production space. In addition we have now entered into a lease of a nearby office and warehouse building and will establish a design centre on this site. The majority of space that we have created will be consumed by programmes currently under design and over the coming years we will need to explore further growth options. In this light we have obtained planning permission to extend our main factory; however, lower cost options will be considered prior to any commitment being made and such expansion will be undertaken only as programme awards are made beyond our footprint capability.

Our traditional supercar and luxury market has continued to perform in line with our strategic expectations. Modest increases in model ranges continue and we have maintained our position in key customer groups. Several newer customers are running behind their own growth plans or are using carry over lights from prior models to limit investment costs and we have captured these changes in our forward planning.

There are a number of new automotive companies entering the market with plans to launch electric and autonomous vehicles. This represents an opportunity for Wipac as the likely volumes are typically in our targeted range. The trend for autonomous vehicles is to have integration of sensors into lights and also to have additional lighting used for camera systems. Whilst this may see an eventual evolution of lighting use and design in the automotive market, it is not seen as a threat to the use of stylised lighting.

Wipac is continuing to invest in technologies that are suited to its end markets. The technologies demanded by our customers are focussed on higher resolution smart LED lights and this is the area of our developmental focus. Overall, Wipac remains very well positioned to grow in line with its strategic aims of increasing sales of manufactured lamps as well as continued growth of design contracts.

As with last year, the other businesses within LED Technologies, Optics and Aftermarket, reported modest growth in sales and constant operating margins. The move of optics manufacturing from Wipac to CTP Czech Republic has been successful and whilst this move was disruptive in the year and resulted in some unforeseen costs, margins returned to normal levels towards the end of the year as validations completed and production stabilised.

Aerospace

Revenue decreased from £7.0 million to £6.0 million and underlying operating profits reduced to £0.7 million from £1.3 million the prior year. Overall the spares market for our product range was depressed in both the UK and French markets. Several of the prior years included sales for a one-off machined component upgrade for a current build aircraft. However this contract was completed at the end of the last year; whilst new production build parts have been secured, these new programmes only commenced part way through the year resulting in lower overall sales. The remaining contracts and spares activity in the business are more regular and more long term in nature such that the business overall is stable at these levels.

Board Changes

As previously announced, Michael Derbyshire has decided to retire as Chairman after nearly 6 years in this role and a total of over 12 years on the Board. I would like to thank Michael for his leadership and guidance during this time. I am confident that Mark Rollins will be a strong successor as Chairman.

Robert Brooksbank also left the Group at the end of the financial year and I thank him for his service to the Group. We have now appointed Sarah Matthews-DeMers as new Group Finance Director and I look forward to her positive contribution.

Conclusion

The Group's performance for the year was below our expectations. Whilst much of this reflected delays in the placement of new design, validation and tooling contracts, we nonetheless recognise that our operational performance within CTP has not been at the level we had predicted. We have reviewed our CTP operations and are tackling these issues and making good progress, at the same time creating a continuous improvement environment that will stand us in good stead for the future.

Our strategy to expand our footprint and increase revenues in CTP to reduce operational gearing and attract a high quality and growth orientated customer base and to transform Wipac into a larger solution provider for lighting systems for the low to mid volume premium automotive sector is well developed. Much of the heavy lifting in terms of investment and customer engagement is now complete. Accordingly I believe we are well placed to see consistent improvements in our profitability and cash generation over the next few years.

Chris Malley

5 June 2018

FINANCE REVIEW

Trading performance

Year ended 31 March	2018 £million	2017 £million
Revenue	**146.2**	138.3
Divisional underlying* operating profit	**13.8**	15.9
Unallocated costs	**(3.0)**	(3.4)
Underlying operating profit	**10.8**	12.5
Exceptional items	**(0.9)**	(0.5)
Net bank interest	**(0.9)**	(0.7)
IAS 19 net financing charge	**(0.8)**	(0.8)
Underlying* profit before tax	**9.1**	11.0
Profit before tax	**8.2**	10.5
Income tax credit / (expense)	**0.3**	(2.5)
Profit for the year	**8.5**	8.0
Divisional underlying* operating margin from continuing operations	**9.5%**	11.5%
Basic earnings per share	**11.6p**	11.5p
Underlying* earnings per share	**9.8p**	12.1p

*underlying is defined as before all exceptional items

Group revenue in the year ended 31 March 2018 was £146.2 million (2017 - £138.3 million). The 5.7% increase reflects revenue growth in both Technical Plastics ("CTP") and LED Technologies ("LED"). CTP reported revenues of £89.7 million (2017 - £87.8 million), benefitting from a stronger performance in the second half of the year as expected. LED reported revenues increased to £50.6 million (2017 - £43.4 million) with continuing good growth in its supercar lighting business. The Aerospace division saw revenue decrease to £6.0 million (2017 - £7.0 million) reflecting the end of a multi-year spares contract at the end of the prior year.

Divisional underlying operating profit was £13.8 million (2017 - £15.9 million) and Group underlying operating profit was £10.8 million (2017 - £12.5 million). Unallocated costs were £3.0 million (2017 - £3.4 million) and this included head office administration costs and expenditure relating to the administration of the Group Pension Scheme, which totalled £0.7 million (2017 - £0.6 million). The decrease in unallocated costs was due in part to lower amounts charged in respect of the Group's short term incentive plan reflecting the higher level of Group profitability in the prior year.

Group profit before tax was £8.2 million (2017 – £10.5 million).

The total net exceptional charge of £0.9 million (2017 - £0.5 million) primarily reflects property costs relating to previously exited facilities and rationalisation costs in respect of changes in management at Group and divisional level.

Net bank interest was £0.9 million (2017 - £0.7 million) and this reflects the Group's higher average debt during the year as well as higher average rates of interest. The IAS 19 "Employee Benefits" ("IAS 19") net financing charge was unchanged at £0.8 million (2017 – £0.8 million) with the pension deficit as at 31 March 2018 being slightly lower than that at 31 March 2017.

The Group reported a tax credit for the year of £0.3 million (2017 – expense of £2.5 million). The most significant effect on the tax credit was the introduction of the lower tax rates in the US leading to a £2.0 million reduction in the value of deferred tax liabilities. Adjusted for this and the effect on the tax charge of exceptional items the underlying tax charge is 20.6% (2017 – 23.7%). The effective tax rate is higher than the current UK corporation tax rate because a large proportion of the Group's profits are generated in countries where the corporation tax rate is higher than in the UK.

The underlying earnings per share was 9.8 pence (2017 – 12.1 pence).

Net debt and gearing

	2018 £million	2017 £million
Underlying cash flow*	**7.7**	10.0
Interest and tax	**(2.6)**	(2.9)
Capital expenditure	**(9.1)**	(8.1)
Free cash flow	**(4.0)**	(1.0)
Pension payments	**(1.2)**	(1.2)
Non-recurring	**(0.2)**	0.6
Proceeds from issue of share capital	**-**	7.7
Equity dividends	**-**	(0.6)
Acquisition of subsidiaries	**-**	(5.7)
Cash flow relating to corporate activities	**(0.3)**	(0.2)
Development expenditure	**-**	(0.1)
Foreign exchange movement	**0.2**	(1.0)
Increase in net debt in year**	**(5.5)**	(1.3)

*underlying is defined as before all exceptional items
**Net debt comprises interest bearing loans and borrowings less cash and cash deposits

Group net debt increased to £31.5 million at 31 March 2018 (2017 - £26.0 million). This represents gearing of 41.0% (2017 – 36.5%) excluding the net pension deficit. Operating cash generation before working capital movements was £13.5 million. The growth of our business resulted in a £7.3 million increase in working capital, particularly relating to design, development and tooling programmes across the Group. The Group's net debt to Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") ratio as at 31 March 2018 was 1.99x (2017 – 1.52x), our medium term target remains 1.5x and we expect to achieve that by the end of the current financial year.

Group capital expenditure in cash terms was £9.1 million (2017 - £8.1 million), representing 196% of the total Group depreciation charge (2017 – 180%). The largest part of capital expenditure (£6.1 million) was incurred in CTP with the most significant proportion being the expansion of our Mitcham, UK production site for a key customer programme. In LED, our Wipac business also saw significant investment in production equipment as we reconfigured our plant towards the new medium volume programmes and added warehousing space to support the increased activity in this business.

Pension contributions of £1.2 million (2017 - £1.2 million) were made during the year in relation to the recovery plan agreed with the Pension Scheme trustees subsequent to the 2015 triennial valuation. The Group also paid the Pension Scheme administration costs of £0.7 million (2017 - £0.6 million).

Non-recurring cash flow of £0.2 million (2017 – £0.6 million) primarily represents property costs relating to unused buildings.

Financing

At 31 March 2018 the Group's net debt was £31.5 million (2017 - £26.0 million). The Group had total bank facilities of £46.0 million, including medium term multi-currency revolving loan facilities totalling £30.0 million, of which £29.3 million was drawn as at 31 March 2018, and which expire in March 2020. The Group also has overdraft facilities totalling £16.0 million which we would expect to be renewed in the normal course of business. Under the bank facility agreement, the Group's bank holds security in the form of guarantees from certain Group companies and fixed and floating charges over the current assets of the Group's three main UK trading subsidiaries. Following the year-end the Group agreed a short term overdraft increase of £2.0 million and asset financing of £1.9 million in order to provide additional headroom until several significant Wipac design, development and tooling contracts start generating cash in the second half of 2018.

The two main covenants in the facility agreement are underlying interest cover and the ratio of net debt to underlying EBITDA. The Group had a comfortable level of headroom on both of these covenants at 31 March 2018.

Pensions

	2018	2017
Defined benefit obligation at the end of the year	£199.9 million	£209.4 million
Fair value of scheme assets at the end of the year	£170.1 million	£176.9 million
Net liability for defined benefit obligations at the end of the year	£29.8 million	£32.5 million
Net liability for defined benefit obligations at the end of the year net of related deferred tax	£24.7 million	£27.0 million
Discount rate at 31 March	2.70%	2.60%

As at 31 March 2018, the Group Pension Scheme had an IAS 19 “Employee Benefits” (“IAS 19”) deficit of £24.7 million net of deferred tax (2017 – £27.0 million). This compared to a net deficit of £24.8 million as at 30 September 2017. The defined benefit pension liability decreased during the year to £199.9 million (2017 - £209.4 million), due in part to an increase in the discount rate to 2.7% (2017 – 2.6%) used to discount the liability reflecting an increase in corporate bond yields. The fair value of the plan assets decreased to £170.1 million (2017 - £176.9 million) with the majority of the Scheme’s investments held in diversified growth funds and Liability Driven Investments.

The cash cost of the Pension Scheme was £1.9 million during the financial year and this included Scheme administration costs of £0.7 million and a £1.2 million annual payment which was part of the recovery plan agreed with the Scheme trustees subsequent to the March 2015 triennial valuation. This recovery plan provides that the Group will aim to eliminate the funding deficit over a period of 14 years and 8 months from 1 November 2015. This will be achieved by the payment of annual contributions of £1.2 million by the Group which will increase at 2.9% per annum alongside the Scheme’s assumed asset returns which are in excess of the discount rate used to discount the Scheme liability. The next triennial valuation will be as at March 2018 and this will be followed by discussions with the Scheme trustees with the aim of agreeing a revised recovery plan later this financial year.

At 31 March 2018, Group properties with a net book value of £6.0 million were subject to a registered charge in favour of the Group Pension Scheme.

Dividend

The Board recognises the need to reward shareholders and for them to participate in the growing profitability of the business. Accordingly it intends to recommence dividend payments when it becomes confident that a sustainable and regular dividend can be reintroduced.

Richard Ottaway

5 June 2018

GLOSSARY

COMPOUND ANNUAL GROWTH RATE ("CAGR")	Geometric progression ratio that provides a constant rate of return over a time period
CONSTANT CURRENCY	Retranslated at the prior year's average exchange rate. Included to explain the effect of changing exchange rates during volatile times to assist the reader's understanding
GROUP CAPITAL EXPENDITURE	Fixed asset additions
NET BANK INTEREST	Interest receivable on cash at bank less interest payable on bank loans and overdrafts. Reported in this manner due to the global nature of the Group and its banking agreements
NET DEBT	Cash and cash deposits less current and non current interest bearing loans and borrowings. Used to report the overall financial debt of the Group in a manner that is easy to understand.
OPERATIONAL GEARING	Ratio of fixed overheads to sales
UNDERLYING	Underlying is defined as before all exceptional items. This measure is used due to the size and volatility of exceptional items rendering the relevant GAAP measures confusing for the reader when taken the context of the performance of the business in any given year
UNDERLYING CASHFLOW	Cashflow taken before the effect of all exceptional items
UNDERLYING EBITDA	Annual result prior to the deduction of exceptional items, interest, taxes, depreciation and amortisation
UNDERLYING EARNINGS PER SHARE	Earnings for this calculation are taken before all exceptional items
UNDERLYING OPERATING PROFIT	Underlying profit is defined as before all exceptional items

Consolidated income statement
year ended 31 March

	Notes	2018 £000	2017 £000
Revenue	3	**146,214**	138,282
Underlying operating profit			
Operating profit before exceptional items		**10,811**	12,498
- rationalisation costs	5	**(556)**	(233)
- litigation costs	5	**(21)**	(60)
- costs arising on the disposal of surplus properties	5	**4**	(658)
- credit in respect of retirement benefits	5, 9	**-**	410
- compensation for loss of office	5	**(265)**	-
- impairment of CIT Technology	5	**(66)**	-
After exceptional items		**9,907**	11,957
Operating profit	3	**9,907**	11,957
Finance revenue		**99**	170
Finance expense		**(1,839)**	(1,649)
Profit before tax		**8,167**	10,478
Income tax credit / (expense)	6	**325**	(2,496)
Profit after tax		**8,492**	7,982
Attributable to -			
Equity holders of the parent		**8,492**	7,995
Non-controlling interests		**-**	(13)
		8,492	7,982
Earnings per ordinary share	7		
Basic		**11.6p**	11.5 p
Diluted		**11.6p**	11.5 p

Consolidated statement of comprehensive income
year ended 31 March

	2018 £000	2017 revised* £000
Profit for the period	**8,492**	7,982
Other comprehensive income -		
Items that will not be reclassified to the income statement		
Remeasurement gains/(losses) on defined benefit scheme	**2,150**	(10,074)
Deferred tax arising	**(392)**	1,364
Total items that will not be reclassified to the income statement	**1,758**	(8,710)
Items that are or may in the future be classified to the income statement		
Foreign exchange translation differences	**(2,238)**	5,271
Deferred tax arising	**138**	(769)
Total items that are or may in the future be classified to the income statement	**(2,100)**	4,502
Other comprehensive income, net of income tax	**(342)**	(4,208)
Total comprehensive income for the period	**8,150**	3,774
Attributable to -		
Equity holders of the parent	**8,150**	3,787
Non-controlling interests	**-**	(13)
Total comprehensive income for the period	**8,150**	3,774

* The comparatives have been revised in respect of the acquisition of Precision Tool & Die on 13 October 2016. More detail is set out in note 4.

Consolidated statement of financial position
as at 31 March

	Notes	2018 £000	2017 revised* £000
Assets			
Intangible assets		**25,311**	25,702
Property, plant and equipment		**46,446**	43,423
Investments		**7**	7
Deferred tax assets		**8,731**	10,332
Trade and other receivables		**143**	-
Total non current assets		**80,638**	79,464
Inventories		**19,812**	19,250
Trade and other receivables		**46,449**	38,468
Cash and cash deposits		**12,962**	22,269
Non current assets classified as held for sale		**200**	200
Total current assets		**79,423**	80,187
Total assets		**160,061**	159,651
Liabilities			
Interest bearing loans and borrowings		**29,253**	29,406
Deferred tax liabilities		**4,070**	6,140
Provisions		**323**	440
Trade and other payables		**208**	15
Retirement benefit obligations	9	**29,798**	32,503
Total non current liabilities		**63,652**	68,504
Trade and other payables		**28,313**	25,687
Current tax liabilities		**731**	2,056
Provisions		**161**	253
Interest bearing loans and borrowings		**15,185**	18,888
Total current liabilities		**44,390**	46,884
Total liabilities		**108,042**	115,388
Net assets		**52,019**	44,263
Equity			
Ordinary share capital issued	10	**3,664**	3,650
Share premium		**7,359**	7,359
Translation reserve		**6,234**	8,334
Retained earnings		**34,788**	24,946
Total equity attributable to equity holders of the parent		**52,045**	44,289
Non-controlling interests		**(26)**	(26)
Total equity		**52,019**	44,263

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

Michael Derbyshire
Chris Malley } directors

5 June 2018

* The comparatives have been revised in respect of the acquisition of Precision Tool & Die on 13 October 2016. More detail is set out in note 4.

Consolidated statement of changes in equity

	Attributable to equity holders of the company						
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total Equity £000
Balance at 1 April 2016	3,311	18	3,832	25,719	32,880	(13)	32,867
Profit for the period	-	-	-	7,995	7,995	(13)	7,982
Other comprehensive income -							
Foreign exchange translation differences	-	-	5,271	-	5,271	-	5,271
Remeasurement losses on defined benefit scheme	-	-	-	(10,074)	(10,074)	-	(10,074)
Taxation on items above	-	-	(769)	1,364	595	-	595
Transactions with owners recorded directly in equity -							
Share based payments	-	-	-	451	451	-	451
Dividends to shareholders	-	-	-	(596)	(596)	-	(596)
Exercise of share options	8	46	-	(62)	(8)	-	(8)
Issue of share capital, net of costs	331	7,295	-	-	7,626	-	7,626
Taxation on items recorded directly in equity	-	-	-	149	149	-	149
Balance at 31 March 2017	3,650	7,359	8,334	24,946	44,289	(26)	44,263
Balance at 1 April 2017	**3,650**	**7,359**	**8,334**	**24,946**	**44,289**	**(26)**	**44,263**
Profit for the period	**-**	**-**	**-**	**8,492**	**8,492**	**-**	**8,492**
Other comprehensive income -							
Foreign exchange translation differences	**-**	**-**	**(2,238)**	**-**	**(2,238)**	**-**	**(2,238)**
Remeasurement gains on defined benefit scheme	**-**	**-**	**-**	**2,150**	**2,150**	**-**	**2,150**
Taxation on items above	**-**	**-**	**138**	**(392)**	**(254)**	**-**	**(254)**
Transactions with owners recorded directly in equity -							
Share based payments	**-**	**-**	**-**	**(40)**	**(40)**	**-**	**(40)**
Exercise of share options	**14**	**-**	**-**	**(262)**	**(248)**	**-**	**(248)**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**(106)**	**(106)**	**-**	**(106)**
Balance at 31 March 2018	**3,664**	**7,359**	**6,234**	**34,788**	**52,045**	**(26)**	**52,019**

Consolidated statement of cash flows
year ended 31 March

	Notes	2018 £000	2017 £000
Cash generated from operations	11	**6,257**	8,916
Interest paid		**(1,016)**	(932)
Tax paid		**(1,693)**	(2,086)
Net cash from operating activities		**3,548**	5,898
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**48**	551
Interest received		**99**	170
Acquisition of subsidiaries, net of cash acquired		**-**	(5,672)
Acquisition of property, plant and equipment		**(8,773)**	(7,860)
Acquisition of intangible assets – computer software		**(350)**	(272)
Capitalised development expenditure		**-**	(102)
Net cash from investing activities		**(8,976)**	(13,185)
Cash flows from financing activities			
Proceeds from issue of share capital, net of costs		**-**	7,675
Drawings on term loan facilities		**750**	-
Repayment of borrowings		**-**	(2,900)
Cash outflow in respect of performance share plan awards		**(248)**	(59)
Dividends paid		**-**	(596)
Net cash from financing activities		**502**	4,120
Net decrease in cash and cash equivalents		**(4,926)**	(3,167)
Cash and cash equivalents at beginning of period		**3,381**	5,996
Effect of exchange rate fluctuations on cash held		**(678)**	552
Cash and cash equivalents at end of period		**(2,223)**	3,381
Cash and cash equivalents comprise -			
Cash and cash deposits		**12,962**	22,269
Bank overdrafts		**(15,185)**	(18,888)
		(2,223)	3,381

Notes on the accounts

1. Notes on the preliminary statement

Basis of preparation

Whilst the financial information included in this preliminary statement has been prepared on the basis of the requirements of IFRSs in issue, as adopted by the European Union and effective at 31 March 2018, this statement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full consolidated financial statements on 21 June 2018.

The financial information set out in this preliminary statement does not constitute the Company's consolidated financial statements for the years ended 31 March 2018 or 2017, but is derived from those financial statements. Statutory financial statements for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the company's annual general meeting. The auditor, KPMG LLP, has reported on those financial statements; its report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 in respect of the financial statements for 2018 and 2017.

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 Group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these Financial Statements.

The Group meets its day-to-day working capital requirements through its banking facilities. The Group's business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing financial risks to which it is exposed are disclosed in the Group's 2017 Annual Report and Accounts. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

Directors' liability

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

Responsibility statement of the directors in respect of the annual report

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 management report, which comprises the directors' report and the strategic 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.

2. Accounting policies

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2017. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2017:

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date 1 January 2017);

Annual Improvements to IFRS standards 2014-2016 cycle (effective date 1 January 2017); and

Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2017).

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

2. Accounting policies continued

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2018. The Group has elected not to adopt early these standards which are described below:

IFRS 9 Financial Instruments (effective date 1 January 2018); The Group has evaluated the impact of this standard and it is not believed that it will have a material impact on the Consolidated Financial Statements.

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018). The Group has determined accounting policies under the new standard and the project to implement system changes, processes and controls is well in progress. Forecasts have been remodelled to the extent it is currently possible. The Group will continue to monitor the impact on tax and remuneration plans. This new standard is likely to have an impact on revenue disclosures. It is currently not expected to materially impact the Group's reported revenues of profits although this assessment is still ongoing.

IFRS 16 Leases (effective date 1 January 2019). This new standard will impact the recognition, measurement and disclosure of operating leases. It is expected that a material amount of lease assets and liabilities will be recognised on the Group balance sheet, depreciation and finance costs will increase and operating lease expenditure will decrease accordingly;

Annual Improvements to IFRS standards 2014-2016 cycle (effective date 1 January 2018);

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018);

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date 1 January 2018);

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date 1 January 2018); and

Annual Improvements to IFRS standards 2014-2016 cycle (effective date 1 January 2018).

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

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

3. Segment reporting

At 31 March 2018, the Group was organised into four, separately managed, business segments - Technical Plastics, LED Technologies, Aerospace and CIT 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 Group steering 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 LED Technologies segment develops innovative solutions in LED lighting, and is a leader in the development of high power LED lighting for the premium automotive industry.

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

The CIT Technology segment managed its portfolio of IP over the digital printing of conductive metals onto plastic substrates up to 31 March 2018 at which point it was decided to cease this activity.

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.

3. Segment reporting continued

Analysis by business segment

The segment results for the year ended 31 March 2018 were as follows -

	Technical Plastics £000	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	**92,237**	**50,707**	**6,072**	**-**	**-**	**(2,802)**	**146,214**
Less inter-segment revenue	**(2,584)**	**(118)**	**(100)**	**-**	**-**	**2,802**	**-**
Total external revenue	**89,653**	**50,589**	**5,972**	**-**	**-**	**-**	**146,214**
Expenses	**(82,980)**	**(44,167)**	**(5,225)**	**-**	**(3,031)**	**-**	**(135,403)**
Underlying operating profit	**6,673**	**6,422**	**747**	**-**	**(3,031)**	**-**	**10,811**
Rationalisation costs	**(98)**	**-**	**-**	**(22)**	**(436)**	**-**	**(556)**
Compensation for loss of office	**-**	**-**	**-**	**-**	**(265)**	**-**	**(265)**
Costs arising on the disposal of surplus properties	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Impairment of CIT Technology	**-**	**-**	**-**	**(66)**	**-**	**-**	**(66)**
Litigation costs	**-**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
Operating profit	**6,575**	**6,422**	**747**	**(88)**	**(3,749)**	**-**	**9,907**
Net finance expense							**(1,740)**
Income tax credit							**325**
Profit after tax							**8,492**
Consolidated statement of financial position							
Segment assets	**100,640**	**44,164**	**6,486**	**75**	**8,696**	**-**	**160,061**
Segment liabilities	**(22,516)**	**(9,698)**	**(784)**	**(8)**	**(75,036)**	**-**	**(108,042)**
Net assets	**78,124**	**34,466**	**5,702**	**67**	**(66,340)**	**-**	**52,019**
Other segmental information							
Capital expenditure on property, plant and equipment	**6,079**	**2,966**	**81**	**-**	**149**	**-**	**9,275**
Capital expenditure on computer software	**37**	**53**	**-**	**-**	**260**	**-**	**350**
Depreciation	**3,592**	**938**	**165**	**-**	**37**	**-**	**4,732**
Amortisation of computer software	**19**	**30**	**-**	**-**	**112**	**-**	**161**
Amortisation of other intangibles	**56**	**31**	**-**	**33**	**-**	**-**	**120**

3. **Segment reporting** continued

Analysis by business segment

The segment results for the year ended 31 March 2017 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	89,428	43,628	7,049	-	-	(1,823)	138,282
Less inter-segment revenue	(1,614)	(209)	-	-	-	1,823	-
Total external revenue	87,814	43,419	7,049	-	-	-	138,282
Expenses	(79,107)	(37,534)	(5,746)	-	(3,397)	-	(125,784)
Underlying operating profit	8,707	5,885	1,303	-	(3,397)	-	12,498
Rationalisation costs	(354)	-	-	640	(519)	-	(233)
Costs arising on the disposal of surplus properties	(658)	-	-	-	-	-	(658)
Litigation costs	-	-	-	-	(60)	-	(60)
Credit in respect of retirement benefits	-	-	-	-	410	-	410
Operating profit	7,695	5,885	1,303	640	(3,566)	-	11,957
Net finance expense							(1,479)
Income tax expense							(2,496)
Profit after tax							7,982
Consolidated statement of financial position							
Segment assets	103,658	38,182	6,505	1,364	9,942	-	159,651
Segment liabilities	(23,738)	(6,160)	(753)	(86)	(84,651)	-	(115,388)
Net assets	79,920	32,022	5,752	1,278	(74,709)	-	44,263
Other segmental information							
Capital expenditure on property, plant and equipment	6,412	1,622	148	-	-	-	8,182
Capital expenditure on computer software	29	45	-	-	195	-	269
Capital expenditure on other intangibles	-	101	-	-	-	-	101
Depreciation	3,465	886	167	-	17	-	4,535
Amortisation of computer software	30	29	-	-	28	-	87
Amortisation of other intangibles	27	2	-	33	-	-	62

3. **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.

The geographic analysis was as follows -

	External revenue		Net segment assets		Expenditure on tangible fixed assets and computer software	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
United Kingdom	**40,948**	41,195	**(10,732)**	(23,046)	**7,323**	5,417
North America	**45,199**	39,698	**30,569**	33,548	**860**	1,450
Rest of world	**60,067**	57,389	**32,182**	33,761	**1,442**	1,584
	146,214	138,282	**52,019**	44,263	**9,625**	8,451

The analysis of segment revenue represents revenue from external customers based upon the location of the customer. The analysis of segment assets and capital expenditure is based upon the location of the assets.

The material components of unallocated segment assets and liabilities are retirement benefit obligation net liabilities of £29.798 million (2017 – £32.503 million) and net borrowings of £38.485 million (2017 - £42.001 million).

One Technical Plastics customer accounted for 17.6% of Group revenues (2017 – 16.4%) and one LED Technologies customer accounted for 16.2% of Group revenues (2017 - 14.7%) and similar proportions of trade receivables. No other customer accounted for more than 10.0% of revenues in the year or prior year.

The unallocated segment relates to central costs and non-trading companies.

Deferred tax assets by geographical location are as follows, United Kingdom £8.335 million (2017 - £9.794 million), North America £0.186 million (2017 - £0.000 million), Rest of world £0.209 million (2017 - £0.489 million).

Total non-current assets by geographical location are as follows, United Kingdom £28.850 million (2017 - £23.868 million), North America £21.593 million (2017 - £24.130 million), Rest of world £21.134 million (2017 - £20.485 million).

4. Acquisitions of subsidiaries

Acquisitions in the prior period

Acquisition of PTD

On 13 October 2016, the Group acquired all of the shares in Precision Tool & Molding, LLC, trading as Precision Tool & Die ("PTD") for £4.632 million, satisfied in cash. PTD provides high precision mould tooling, injection moulding and assembly for the medical device industry. PTD is based close to Boston, in Derry, New Hampshire in the USA. The Directors believe the acquisition will enhance the ability of the Group to grow its US operations by extending its global offering to PTD's existing customers and, in parallel, extending PTD's technical prototyping capabilities to the Group's existing customers.

Effect of acquisition

The acquisition had the following effect on the Group’s assets and liabilities -

PTD’s net assets at the acquisition date:	**Recognised values on acquisition (revised) £’000**
Property, plant and equipment	421
Intangible assets	595
Inventories	611
Trade and other receivables	950
Trade and other payables	(266)
Net identifiable assets and liabilities	2,311
Consideration paid:	
Initial cash price paid	4,632
Total consideration	4,632
Goodwill	2,321

4. Acquisitions of subsidiaries continued

Goodwill has arisen on the acquisition in respect of the technical prototyping skills of the PTD workforce and the expanded product offering that the existing Group and PTD can offer to their respective existing customers.

Revision to initial acquisition accounting of PTD

The comparative figures for the year ended 31 March 2017 are revised in these financial statements to incorporate the adjustments arising from the initial accounting for the acquisition of PTD on 13 October 2016. The impact on the consolidated statement of financial position at 31 March 2017 is to reduce the carrying value of non-current assets and trade and other payables by £0.621 million. There is no impact on net assets at 31 March 2017 or on the consolidated income statement, reserves or the consolidated statement of cash flows for the year then ended.

5. Exceptional items

	2018	2017
	£'000	£000
United Kingdom		
Litigation costs	**(21)**	(60)
Rationalisation costs	**(354)**	(158)
Compensation for loss of office	**(265)**	-
Credit in respect of retirement benefits	**-**	410
Costs arising on the disposal of surplus properties	**4**	(658)
Impairment review of CIT Technology	**(66)**	-
North America		
Rationalisation costs	**(187)**	(90)
Rest of world		
Rationalisation costs	**(15)**	15
	(904)	(541)

£0.153 million of rationalisation costs were incurred during the year in respect of the remaining Harthill held for sale property.

In addition to the above, non-operating exceptional items included a £1.990 million tax credit resulting from the US Tax Cuts and Jobs Act.

6. Income tax

The tax assessed for the year is lower (2017 – higher) than the standard rate of corporation tax in the UK. The differences are explained as follows –

		2018		2017
	£'000	**%**	£'000	%
Profit before tax	**8,167**		10,478	
Income tax using standard rate of UK corporation tax of 19% (2017 - 20%)	**1,552**	**19.0**	2,096	20.0
Adjustments in respect of overseas tax rates	**341**	**4.2**	126	1.2
Other temporary differences	**(142)**	**(1.7)**	78	0.7
Other items not deductible for tax purposes	**77**	**0.9**	1,155	11.0
Adjustment to current tax in respect of prior periods (UK and overseas)	**(561)**	**(6.9)**	(405)	(3.9)
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**280**	**3.4**	(552)	(5.3)
Foreign taxes expensed in the UK	**118**	**1.4**	-	-
Rate change on deferred tax	**(1,990)**	**(24.4)**	(2)	-
Total income tax (credit) / charge in the consolidated income statement	**(325)**	**(4.1)**	2,496	23.7

On 22 December 2017 the Tax Cuts and Jobs Act in the USA was substantively enacted and reduced the federal corporate income tax rate from 35% to 21%. This reduced the carrying value of the Group's net USA deferred tax liabilities by £1.990 million with a corresponding tax credit being recognised in the consolidated income statement.

7. Earnings per share

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

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

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

	2018	2017
	£000	£000
Profit after tax from continuing operations	**8,492**	7,982
Loss attributable to non-controlling interests	**-**	13
Profit after tax attributable to equity holders of the parent	**8,492**	7,995

	2018	2017
	Shares	Shares
Weighted average number of ordinary shares in the year	**73,210,394**	69,381,504
Effect of share options in issue	**1,296**	1,250
Weighted average number of ordinary shares (diluted) in the year	**73,211,690**	69,382,754

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

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

	2018	2017
	£000	£000
Profit after tax, attributable to equity holders of the parent	**8,492**	7,995
Exceptional items		
Rationalisation costs, net of tax	**419**	169
Compensation for loss of office, net of tax	**215**	-
Litigation costs, net of tax	**17**	48
Credit in respect of retirement benefits, net of tax	**-**	(340)
Costs arising on the disposal of surplus properties, net of tax	**(3)**	546
Impairment review of CIT Technology, net of tax	**53**	-
Non-operating exceptional items		
Tax credit resulting from the US Tax Cuts and Jobs Act	**(1,990)**	-
Underlying profit attributable to equity holders of the parent	**7,203**	8,418

The US Tax Cuts and Jobs Act was substantively enacted during the year and reduced the federal corporate income tax rate from 35% to 21%. This resulted in a one-off tax credit to the income statement of £1.990 million.

7. **Earnings per share** continued

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

	2018	2017
	Pence	Pence
Basic earnings per share - continuing operations	**11.6**	11.5
Basic earnings per share - discontinued operations	**0.0**	0.0
Basic earnings per share - total	**11.6**	11.5
Diluted earnings per share - continuing operations	**11.6**	11.5
Diluted earnings per share - discontinued operations	**0.0**	0.0
Diluted earnings per share - total	**11.6**	11.5
Underlying earnings per share – basic	**9.8**	12.1
Underlying earnings per share – diluted	**9.8**	12.1

8. Dividends paid and proposed

The directors are not proposing a final dividend for the year ended 31 March 2018. No interim dividend has been paid after the year end.

9. Retirement benefit obligations

The Group operates a defined benefit UK pension scheme which provides pensions based on service and final pay. Outside of the UK, retirement benefits are determined according to local practice and funded accordingly.

In the UK, Carclo plc sponsors the Carclo Group Pension Scheme (the "Scheme"), a funded defined benefit pension scheme which provides defined benefits for some of its members. This is a legally separate, trustee administered fund holding the Scheme's assets to meet long term pension liabilities for some 3,894 past employees as at 31 March 2015.

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

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

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

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

A full actuarial valuation was carried out as at 31 March 2015 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the Scheme is agreed between the Group and the Trustees in line with those requirements. These in particular require the surplus or deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. This actuarial valuation showed a deficit of £46.140 million. The Group has agreed with the Trustees that it will aim to eliminate the deficit over a period of 14 years 8 months from 1 November 2015 by the payment of annual contributions of £1.169 million which will increase at 2.9% per annum, together with the assumed asset returns in excess of the rate used to discount the liabilities. The current best estimate of employer cash contributions to be paid in the year ending 31 March 2019 is £1.238 million. In addition and in accordance with the actuarial valuation, the Group has agreed with the Trustees that it will meet expenses of the Scheme and levies to the Pension Protection Fund.

For the purposes of IAS 19 the actuarial valuation as at 31 March 2015, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 March 2018. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Notes on the accounts continued

9. Retirement benefit obligations continued

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

	2018	2017
	£000	£000
Present value of funded obligations	**(199,883)**	(209,448)
Fair value of scheme assets	**170,085**	176,945
Recognised liability for defined benefit obligations	**(29,798)**	(32,503)

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

	2018	2017
	£000	£000
Net liability for defined benefit obligations at the start of the year	**(32,503)**	(23,216)
Contributions paid	**1,227**	1,169
Net expense recognised in the consolidated income statement (see below)	**(830)**	(382)
Remeasurement gains / (losses) recognised directly in equity	**2,308**	(10,074)
Net liability for defined benefit obligations at the end of the year	**(29,798)**	(32,503)

Movements in the present value of defined benefit obligations-

	2018	2017
	£000	£000
Defined benefit obligation at the start of the year	**209,448**	196,925
Interest expense	**5,285**	6,634
Actuarial losses / (gains) due to scheme experience	**334**	(481)
Actuarial (gains) due to changes in demographic assumptions	**-**	(4,607)
Actuarial (gains) / losses due to changes in financial assumptions	**(2,756)**	26,236
Benefits paid	**(12,428)**	(14,849)
Liabilities extinguished on settlements	**-**	(410)
Defined benefit obligation at the end of the year	**199,883**	209,448

Movements in the fair value of Scheme assets -

	2018	2017
	£000	£000
Fair value of Scheme assets at the start of the year	**176,945**	173,709
Interest income	**4,455**	5,842
Return on Scheme assets excluding interest income	**(114)**	11,074
Contributions by employer	**1,227**	1,169
Benefits paid	**(12,428)**	(14,849)
Fair value of Scheme assets at the end of the year	**170,085**	176,945
Actual return on Scheme assets	**4,341**	16,916

9. **Retirement benefit obligations** continued

The fair value of Scheme asset investments was as follows -

	2018	2017
	£000	£000
Diversified Growth Funds	**130,537**	148,567
Bonds and Liability Driven Investments	**39,033**	28,341
Cash	**515**	37
	170,085	176,945

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied, or other assets used, by the Group. All of the Scheme assets have a quoted market price in an active market with the exception of the Trustees' bank account balance. Diversified growth funds are pooled funds invested across a diversified range of assets with the aim of giving long term investment growth with lower short term volatility than equities.

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

The expense recognised in the consolidated income statement was as follows -

	2018	2017
	£000	£000
Past service gain from settlements	**-**	(410)
Net interest on the net defined benefit liability	**830**	792
	830	382

The expense is recognised in the following line items in the consolidated income statement-

	2018	2017
	£000	£000
Credited to exceptional items	**-**	(410)
Other finance revenue and expense - net interest on the net defined benefit liability	**830**	792
	830	382

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

	2018	2017
Discount rate at 31 March	**2.70%**	2.60%
Future salary increases	**N/A**	N/A
Inflation (RPI)	**3.45%**	3.45%
Inflation (CPI)	**2.35%**	2.35%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.35%**	3.35%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.35%**	2.35%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.45%**	3.45%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.15%**	4.15%
Life expectancy for a male (current pensioner) aged 65	**18.3 years**	18.1 years
Life expectancy at 65 for a male aged 45	**19.5 years**	19.1 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2017 - 100%).

9. Retirement benefit obligations continued

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

	2018 £000	2017 £000
Present value of funded obligation	**(199,883)**	(209,448)
Fair value of scheme asset investments	**170,085**	176,945
Recognised liability for defined benefit obligations	**(29,798)**	(32,503)
Actual return on scheme assets	**4,341**	16,916
Actuarial (losses) / gains due to scheme experience	**(334)**	481
Actuarial gains due to changes in demographic assumptions	**-**	4,607
Actuarial gains / (losses) due to changes in financial assumptions	**2,756**	(26,236)

10. Ordinary share capital

	Number of Shares	**£000**
Ordinary shares of 5 pence each		
Issued and fully paid at 31 March 2017	73,007,668	3,650
Shares issued on exercise of share options	279,250	14
Issued and fully paid at 31 March 2018	**73,286,918**	**3,664**

11. Cash generated from operations

	2018 £000	2017 £000
Operating profit	**9,907**	11,957
Adjustments for -		
Pension fund contributions in excess of service costs	**(1,227)**	(1,169)
Depreciation charge	**4,732**	4,535
Amortisation of intangible assets	**281**	149
Exceptional impairment of intangible assets, arising on rationalisation of business	**66**	-
Loss on disposal of other plant and equipment	**22**	37
Exceptional credit in respect of retirement benefits	**-**	(410)
Provisions charged in respect of exit of Harthill operation	**-**	685
Cash flow relating to provision for site closure costs	**(209)**	(612)
Share based payment charge	**(40)**	452
Operating cash flow before changes in working capital	**13,532**	15,624
Changes in working capital (excluding the effects of acquisition of subsidiaries)		
Increase in inventories	**(1,218)**	(2,044)
Increase in trade and other receivables	**(8,842)**	(9,225)
Increase in trade and other payables	**2,785**	4,561
Cash generated from operations	**6,257**	8,916