carclo

Annual Report 2016

index

carclo plc

Carclo is a leading global manufacturer of fine tolerance parts for the Medical, Industrial, Aerospace and Premium Automotive Lighting markets.

Global contract manufacturer to medical market

Leading designer and manufacturer for luxury and supercar LED Lighting

Leading supplier of control cables in Europe

in summary

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 are significant further opportunities to drive shareholder value. To enhance profit margins and support its customers, the group has been investing in lower cost regions.

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.

The highlights for the year to 31 March 2016 are summarised below -

Financial Highlights	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Revenue		
Technical Plastics	**70,473**	64,296
LED Technologies	**40,468**	34,053
Aerospace	**6,386**	6,304
CIT Technology	**1,647**	2,850
Total	**118,974**	**107,503**
Underlying* operating profit		
Technical Plastics	**6,192**	5,351
LED Technologies	**5,364**	4,443
Aerospace	**1,329**	1,572
CIT Technology	**(113)**	(1,422)
	12,772	**9,944**
Unallocated	**(2,738)**	(2,155)
Total	**10,034**	**7,789**
Exceptional items	**(4,857)**	**(31,668)**
Operating profit / (loss)	**5,177**	**(23,879)**
Underlying* profit before tax	**8,752**	**7,123**
Profit / (loss) before tax	**3,895**	**(24,545)**
Basic earnings per share	**3.3p**	**(33.2p)**
Underlying* earnings per share	**10.1p**	**7.9p**
Total dividend per share	**2.85p**	**2.75p**
Net debt	**24,750**	**24,518**

*underlying is defined as before all exceptional items

- Revenue increased by 10.7% to £119.0 million, reflecting strong sales progression across our businesses and a second consecutive year of double-digit growth

- Divisional underlying operating profit was £12.8 million (2015 - £9.9 million) and group underlying operating profit was £10.0 million (2015 - £7.8 million), up 28.8% on the prior year

- Exceptional charge of £4.9 million (2015 - £31.7 million), predominantly relating to the impairment of patents and development costs at the Carclo Diagnostic Solutions business, announced last month

- Underlying profit before tax of £8.8 million (2015 - £7.1 million), up 22.9% on the prior year

- Further year of good revenue, underlying profits and margin growth in Technical Plastics

- Excellent performance by LED Technologies, driven by our Wipac luxury and supercar lighting business

Commenting on the results,
Michael Derbyshire, Chairman said -

"The group has delivered a strong operational and financial performance through the year and is well placed and focussed to drive further growth opportunities in the current year and beyond."

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 delivered another strong year of both revenue and profit growth from its core Technical Plastics and LED Technologies businesses.

In the year ended 31 March 2016 Carclo enjoyed double-digit growth in revenues, for the second year in a row, and this supported a 28.8% increase in underlying operating profits. The group has also continued to invest in its growth opportunities. This investment will provide additional capacity, operational capability and technical knowhow to both enhance our competitive positioning and provide much greater certainty and visibility of revenue and profit growth going forward.

As announced on 16 May 2016 the group has decided to discontinue its investment in Carclo Diagnostic Solutions ("CDS"). This strategic decision will further focus the group's resources onto its high performing core businesses and the considerable growth opportunities therein.

The financial highlights for the year were

- Revenue increased by 10.7% to £119.0 million, reflecting strong sales progression across our businesses and a second consecutive year of double-digit growth
- Divisional underlying operating profit was £12.8 million (2015 - £9.9 million) and group underlying operating profit was £10.0 million (2015 - £7.8 million), up 28.8% on the prior year
- Exceptional charge of £4.9 million (2015 - £31.7 million), predominantly relating to the impairment of patents and development costs at the Carclo Diagnostic Solutions business
- Underlying profit before tax of £8.8 million (2015 - £7.1 million), up 22.9% on the prior year
- Group reported profit before tax of £3.9 million (2015 – loss of £24.5 million)
- Underlying earnings per share increased to 10.1 pence (2015 - 7.9 pence), up 27.8% on the prior year
- Group capital expenditure was £8.2 million (2015 - £6.3 million) reflecting our investment strategy designed to deliver sustainable growth and increase return on capital over the coming years
- Net debt was in line with the Board's expectations at £24.8 million; this was slightly higher than the prior year (£24.5 million) due mainly to the high level of capital investment in the business
- Total dividend for the year increased by 3.6% to 2.85 pence per share reflecting the Board's confidence in the future performance of the group

Strategic and Operational

- In Technical Plastics, turnover, underlying operating profits and margins all increased for a second consecutive year compared to the prior year and we are approaching our medium term target of underlying operating margin of 10%. We have continued to increase our geographical footprint with the successful completion of the flagship facility in Taicang, China and expansions either completed or in progress in all our other markets. This expanded capability will ensure that we can service our customers' requirements whilst also maximising global profitability

- LED Technologies has enjoyed another excellent year with substantially increased sales and profitability. The Wipac luxury and supercar lighting business has continued to generate large numbers of design wins in the luxury supercar segment and we have now won our first design contract in the prestige and sports car segment as we broaden our previous strategy to include this market sector

- The Aerospace division (previously known as Precision Engineering) has again generated strong profits and cash flows. The business has continued to win new spares contracts and this is expected to be sustained into the future

- On 16th May 2016 we announced that following extensive research we had determined that an exit from the CDS business was the optimal way forward in terms of shareholder value. The business had been developing a range of disposable point of care platforms using microfluidic technologies. Some key resources of CDS have been integrated into our Technical Plastics business so that we may sell or license our intellectual property rights within CDS where appropriate

Dividend

The proposed final dividend of 1.95 pence per share brings the total dividend for the year to 2.85 pence per share (2015 – 2.75 pence). This represents an increase of 3.6% and reflects the Board's confidence in the future performance of the group.

Employees

I would like to thank the employees of Carclo in the year under review for their continuing substantial contribution to the progress of the business.

Outlook

As in recent years, our two main manufacturing divisions have continued to expand and have become increasingly profitable with a focus on customer satisfaction and sustainable growth. We expect this to continue in the coming years through a combination of organic growth and targeted acquisitions.

In Technical Plastics we have increased manufacturing capacity at most operations and have further plans for expansion over the coming years to enable us to build our position in our main markets with both existing and new customers. This year saw the completion of our new state of the art facility in Taicang, China which increases the division's medical manufacturing reach. All our expanded capabilities are underpinned by existing customer awards and create additional capacity to secure new customers in the future.

LED Technologies saw another excellent year of growth, generating a platform to expand Wipac's luxury and supercar lighting business into medium-volume sports and premium cars; we are delighted to have secured our first win in this segment. Wipac has excellent partnerships with its key premium automotive customers and further investment will be made to increase our capacity to service them.

Our Aerospace business continues to be both profitable and cash generative. We remain active in the aerospace spares markets and these are expected to create modest growth opportunities in the future.

In summary, the group has delivered a strong operational and financial performance through the year and is well placed and focussed to drive further growth opportunities in the current year and beyond.

Michael Derbyshire
7 June 2016

strategic report

principal activities, business model & strategic KPIs

Principal activities

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 in lower cost regions.

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.

Business model

Our business model is to create sustainable growth in revenues and operating profits through the development of innovative and highly efficient solutions for our customers to ensure that they see real benefits accruing from working in partnership with us.

Customer Interactions

We serve customers across multiple geographies and various industries and we continually monitor both their formal and informal feedback and attempt to respond accordingly. Our customers want us to innovate but do not want us to move away from our core competences.

Customer Satisfaction

In all cases our customers have selected us over our competitors and we recognise that this decision is based on their faith in our ability to meet or exceed their expectations. Each of our businesses monitor all aspects of our customer performance and this is continually fed back to all of our employees.

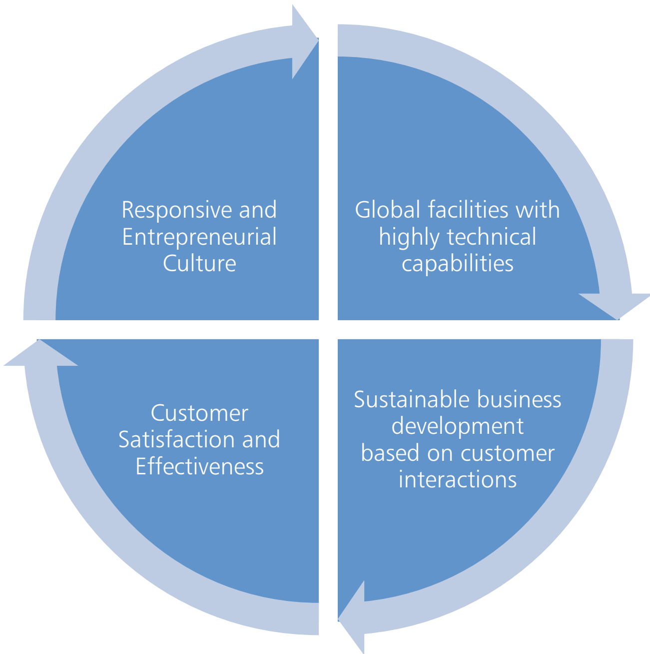
Global Footprint

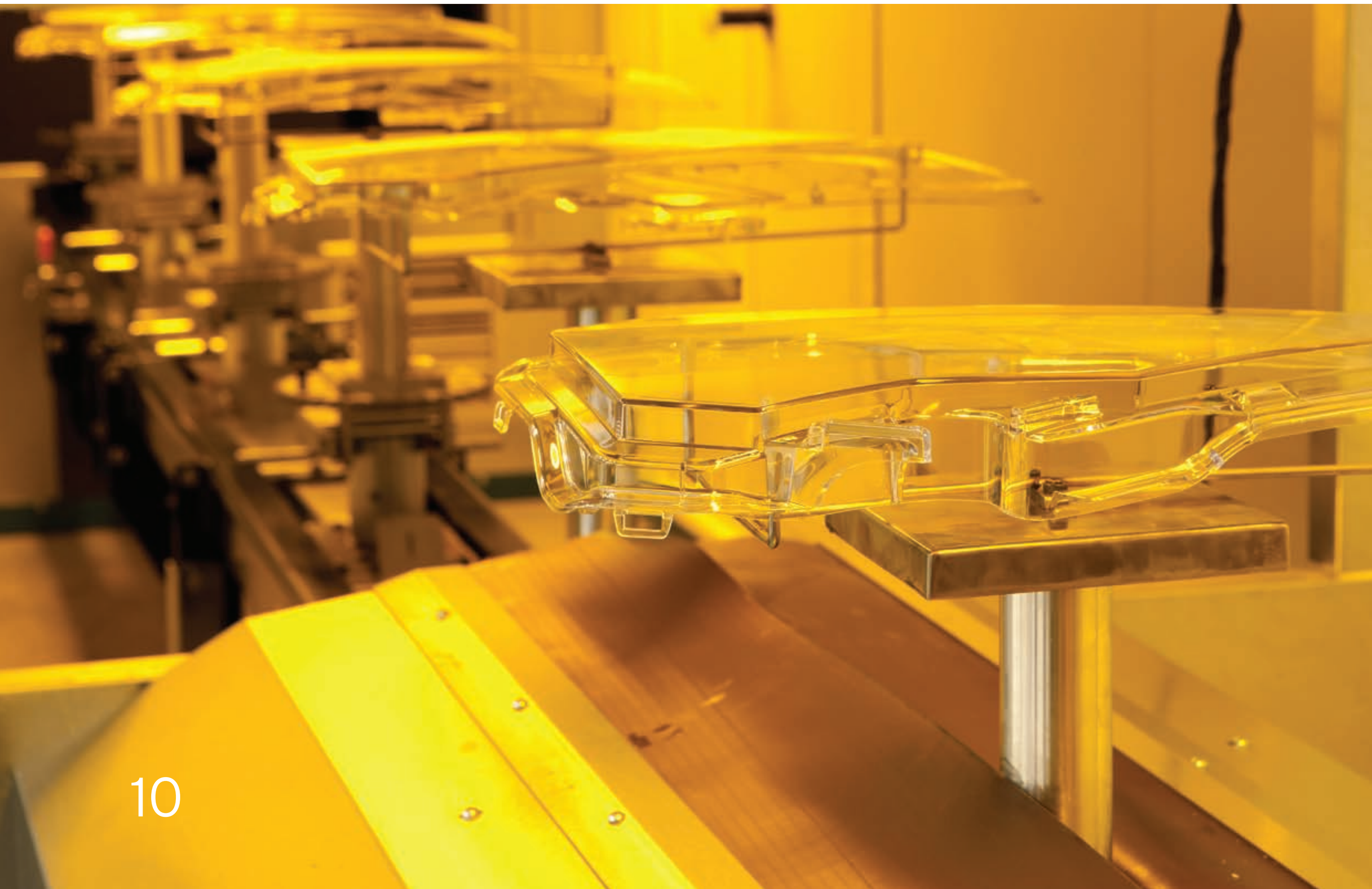
Our business operates across six different countries to support our global customers. We ensure that we operate ethically in all of our locations respecting local regulations and we develop a culture of best practice in operational management, customer responsiveness as well as ensuring that our approach to health and safety is consistent in all of our operations.

principal activities, business model & strategic KPIs CONTINUED

Responsive Culture

We operate a decentralised management culture in order that our management teams can make fast and responsive decisions to the benefit of our customers, employees and ultimately for the group as a whole. We expect our skilled management teams to operate in an entrepreneurial manner and reward them based on their own local business performance.





Strategic KPIs

To enable our performance to be tracked against our growth strategy, we will focus on the following key performance indicators ("KPIs"):

Revenue Growth

Definition and method of calculation

Revenue growth measures the change in revenue against the prior year.

Explanation of importance

Helps to monitor our success in growing the business.

Underlying Operating Profit Margin

Definition and method of calculation

Underlying operating profit margin measures the underlying operating profit as a percentage of revenue.

Explanation of importance

Helps to monitor our success in turning sales into profits.

Return on Investment

Definition and method of calculation

Return on investment measures the underlying operating profit as a percentage of our annual investment in intangible assets and property, plant and equipment, calculated on a 5-year rolling average basis. The underlying operating profit of and the investment in CIT Technology, Carclo Diagnostic Solutions and Platform Diagnostics have been excluded from this measure in order to give a meaningful benchmark for future comparison.

Explanation of importance

Helps to monitor our success in generating profits from the assets we have invested in.

chief executive's review

Overview

The group delivered another strong year of revenue growth, with sales increasing by 10.7% over the prior year. In the last three years, revenues have grown from £86.5 million to £119.0 million which represents a compound annual growth rate ("CAGR") of over 11%.

During the same three year period, the underlying operating margin has grown 200bps from 6.4% to 8.4%. Our focus last year has been to further capitalise on the improvements to our operating performance to satisfy customers' requirements and drive growth by securing new manufacturing opportunities.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") in the year increased from £12.2 million to £14.0 million.

On 16 May 2016 we announced our decision to cease further investment in Carclo Diagnostic Solutions ("CDS"). As a result, the group is now focussed as a high technology manufacturer, concentrated on key market sectors. We believe that this focus, in terms of both management resources and capital allocation, will enable us to drive further revenue and profit growth into our businesses through targeted improvement in operational leverage and the strengthening of our position with key customers, leading to an enhancement of shareholder value in the future.

We have continued to build on our growth strategies for our key divisions. In LED Technologies, our strategy has been to extend our offering towards the medium-volume sports and luxury vehicle lighting segment. With this expanded approach having been fully commercially, financially and technically evaluated, we commenced targeted discussions with key customers midway through the year. As a direct result of this, we were recently awarded the design and manufacture of rear lamps for a new medium-volume vehicle; this is expected to result in a significant increase in manufacturing sales revenues when the vehicle moves to production, which is expected in late 2019.

In Technical Plastics we have continued our focus on growing our customer base and widening the range of components we manufacture for those customers, thus reducing the level of operational risk. To achieve this we have continued the expansion of our key global operations at locations close to our customers' end markets or manufacturing facilities.

The group's total capital investment in the year was £8.2 million versus £6.3 million last year. This was partly driven by the completion of the new state of the art Technical Plastics facility in Taicang, China which commenced in the previous year. Over the last three years our capital expenditure has been significantly higher than annual depreciation, which reflected the need to expand and enhance our operations to support the group's growth strategy.

The product development cycle of our customers and the associated project validation lead-times means that we do not need to invest speculatively and therefore all of our investment decisions have been made to support specific programme wins. It is this visibility of future revenues and profits that has allowed the group to allocate capital in an efficient manner. Our criteria for all major capital investments has been that they must enhance our return on investment ("ROI") in the medium term. During the three year period our ROI has increased from 140.1% to 169.1% on a like for like basis and we expect that this trend to continue into the future as we make further investments.

Key Performance Indicators ("KPIs")

Last year we published the three major KPIs that we use to measure our performance against our stated objectives. These KPIs cover targeted improvements in ROI, operating margin and year on year revenue growth. Whilst internally we are driven by a range of other KPI's covering key areas including employee safety, customer satisfaction and operational performance, as we enter the new financial year, we believe that the three KPIs previously identified continue to be those that we should use to judge ourselves and be measured against by our stakeholders.

Carclo Diagnostics Solutions ("CDS")

On 16 May 2016 we announced the decision to cease further investment in our CDS business and to exit the business. CDS had been developing a range of disposable point of care platforms using microfluidic technologies.

Our development costs in CDS during the year were £1.4 million, contributing to a total capitalised development cost for the group in CDS at the end of the year of £4.9 million.

While CDS had achieved most of its technical milestones during the year and, in some cases, had also generated relevant parallel knowledge that may have had wider applications, with this level of annual expenditure set to continue and potentially increase in the future, we sought to accelerate a series of reviews into its commercial viability. Having already employed a leading healthcare consultancy practice to provide an early validation of our technology in the prior year, we determined that further work was required to obtain feedback directly from healthcare practitioners in order to determine the applicability and suitability of our proposed product offering directly with its potential end-users. This review was undertaken by a separate independent healthcare market research business. Although this market research was largely positive, it was recognised by the Board that, whilst this market research gave a clear indication as to a potential interest from healthcare practitioners, it did not provide sufficient assurance of the commercial validity or viability of CDS and moreover, it was evident that such confirmation would only come from potential commercial partners.

In order to gain those assurances in a timely manner, cognisant of the materiality of our ongoing investment in the CDS business, we brought forward certain of our work plans in order that the best performance data and associated hardware were available to present to potential commercial partners. Corporate advisors were appointed to identify commercial co-investors or possible purchasers of CDS and in addition, we also approached a range of healthcare focussed financial investors.

This review process was extensive and covered a large number of medical device companies and healthcare investors. The key feedback from this process pointed to the need to develop a wider range of assays which would require an increasing level of future investment as well as concerns around both the cost to achieve and the timing of market take up and, consequently, the certainty of future commercialisation.

After extensive consideration of this feedback and having failed to identify any credible strategic options or find any suitable investors, the Board decided to discontinue its investment in CDS. Immediately following the announcement of the Board's decision on 16 May 2016, some key resources of CDS were integrated into our Technical Plastics business in order to facilitate the objective to sell or license CDS's intellectual property rights where appropriate. We expect the closure costs for CDS to be approximately £1.0 million during the year ending 31 March 2017.

Divisional review

Carclo Technical Plastics

Revenue increased from £64.3 million to £70.5 million, an increase of 9.6% on the prior year. Divisional operating profit increased from £5.4 million to £6.2 million, with the operating margin at 8.8%, close to our medium term target of 10% and up from last year's 8.3%. We maintain our target of achieving a 10% operating margin within the near term.

As the global healthcare market continues to expand and develop, we are seeing an increasing trend for larger customers to manufacture their own devices in the same regions as their markets and our own global footprint in the US (both East and West Coast), UK, Czech Republic, India and China is exceptionally well positioned to meet this increasing demand.

During the year we have continued to ensure that our plants across the world have the scale and capability to service our customers' needs by continuing our expansion strategy of investing to enhance our operations.

At our Brno plant in the Czech Republic, we leased a second adjacent building and this will provide convenient and efficient capacity expansion to serve both existing industrial programmes and will also provide the business with sufficient space to increase its medical moulding capabilities in this growing region.

We also began the conversion of a building leased last year adjacent to our facility in Tucson, US. This conversion will see a former warehouse become a medical manufacturing facility thus providing additional capacity for the US business to service the growing demand in the West Coast market. This conversion will be completed shortly and it will be in production by the summer of 2016.

At our Bangalore facility in India, we introduced an intermediate capacity expansion by leasing a nearby unit during the year which has enabled us to add additional moulding equipment into our existing factory by relocating other operations, such as product assembly. We now have two leased buildings in Bangalore in addition to our own factory. This additional leased unit is an intermediate step undertaken whilst we reviewed all of the expansion opportunities in the area. Following this review we will be building our own unit on currently unused land we own next to our main factory. We expect to commence this project during the current financial year but have sufficient intermediate capacity to optimise its timing.

In the prior year we had both extended and modernised our main US factory in Latrobe. This is now running close to full capacity and operational efficiency is increasing as new programmes settle and new employees complete their training.

Our new state of the art site in Taicang, China (just north of Shanghai) is now fully operational and the previously mentioned new medical device consumable programme for one of our global healthcare customers is fully approved and entered initial low volume production on time immediately prior to our year end and in advance of the customer's expectations. This programme is expected to scale significantly over the coming year. It is a highly complex fully automated manufacturing line for disposable medical device consumables and represents a flagship project that we expect will provide a strong reference site in China for our engineering and project management capabilities. Over the medium term we aim to significantly grow our revenues from within China by developing relationships within the local branches of our global customer base. We have developed a strong pipeline and expect several new opportunities will be secured during the current year.

In 2014 we rationalised our two UK sites into a single site in Mitcham and we exited a significant number of low margin non-healthcare customers. During the last financial year we saw the significant benefit from the resulting focus of management resource leading to a large increase in production efficiency as well as new momentum within our operations. As a result of this momentum, we have secured additional new programmes from key global customers during the year. In order to meet this growth we are planning to reorganise and improve the factory to create suitable, additional capacity. The initial phase of work will be completed during the current year with a second phase of expansion possibly following as these programmes grow.

We remain committed to leveraging UK sourced medical moulding opportunities for our Czech Republic site but the risk averse nature of medical device customers often results in them requesting supply from the UK. Nonetheless, we anticipate transferring key medical manufacturing skills and knowhow from UK to our very capable Czech teams over the medium term in order that we can both balance our capacity between the two sites as well as continue our strategy to increase the overall share of medical manufacturing as a proportion of our total Technical Plastic division's revenue.

Our largest market is healthcare, representing 76.0% (2015 - 73.4%) of the division's revenue. Over the medium term, we expect this percentage to continue to grow further.

Within the medical device sector we continue to see our customers enjoying strong growth. Many of our customers report annual growth of between 4% and 7% per annum in both North America and Europe, whilst in China several customers report much higher levels of growth. This is consistent with GlobalData's forecast of the China medical device sector growing at a CAGR of 10.6% through to 2020.

Customers continue to look to rationalise their supply base so as to benefit from partnerships and to drive scale and cost targets, however, the significant barrier of new product validation limits the speed at which they can drive this process. Carclo Technical Plastics has gained traction with many of the leading global medical device companies and we regularly compete successfully with much larger competitors for new business. We continue to see opportunities to offer customers a more efficient and flexible solution in this regard and believe that we have significantly increased our profile within the industry over recent years. Our expansion and level of investment has reassured customers that we are able to meet their expectations.

Last year we undertook a study with several of our key customers to look at their future needs from their supply base. This review confirmed our belief that horizontal integration was not seen as desirable by our customer base and that they had little interest in us adding product portfolios unrelated to our core capabilities. However we did identify opportunities where we could add complementary moulding technologies as well as certain capabilities or services to improve vertical integration.

As such, we have been exploring opportunities to add specialist moulding capabilities, such as micromoulding, into our portfolio as well as product design and prototyping services. Each of these specialisms are currently well served in our markets but rarely by volume moulding companies of our size. As a direct result of this work, we installed our first micromoulding machine into Mitcham early last year and since then we have made significant technical progress in understanding and developing this complex capability; we expect to secure our first programmes during the current year and anticipate introducing this capability into one of our US sites as well in the future. Whilst organic development of micromoulding has been a success to date, we have also been reviewing possible acquisition opportunities across a range of potential complementary activities and we will continue to do so during the current year. Our criteria for acquisitions remains as stated last year in that they must complement and accelerate our own organic opportunities or shorten the timescale to secure new strategically targeted customers, perhaps through additional manufacturing locations that are closer to key customers, or offer synergistic manufacturing opportunities for our existing customers.

Our Technical Plastics business has delivered three years of strong growth and we are confident that this will continue into the future. We have continued to enhance and expand our capabilities to drive that growth. We are on track to achieve our targeted divisional operating margin of 10% and have clear plans that should provide the opportunity to further enhance this over the longer term.

LED Technologies including Wipac

Another excellent year of growth within our LED Technologies division has seen revenue increase by 18.8% from £34.1 million to £40.5 million. Operating profit grew from £4.4 million to £5.4 million representing a margin improvement from 13.0% to 13.3%. Some 81.2% of our sales (2015 – 81.0%) were derived from our Wipac business which has continued to focus on the design and development and subsequent manufacture of lighting for luxury and supercars. The balance of revenues came from the design and supply of secondary optics and the supply of aftermarket automotive lighting products.

At Wipac the majority of operating profits continued to be generated from the design, development and tooling phases with a moderate contribution generated from the manufacturing of those lamps due to the lack of scale of manufacture. As we enter the new financial year, a large number of lights that we have designed and developed over the last two to three years will move into their manufacturing phase and we anticipate this will provide a turning point for levels of manufacturing contribution. Over the longer term we see the manufacturing part of the business being more profit generative than the design and development phase as our manufacturing scale increases.

Wipac has secured all of its targeted new customer design wins during the year covering mainly UK supercar customers and German owned luxury brands. An example of the high quality projects we work on was the Aston Martin DB11, for which we designed and developed both headlights and taillights and have now entered initial manufacture. The level of activity in new projects from our customers has continued to be high and we have continued to win significant new levels of such programmes. Each programme is complex and has rigorous validation stages and it is a credit to our people that we have consistently met the high standards expected by the world's most demanding automotive brands.

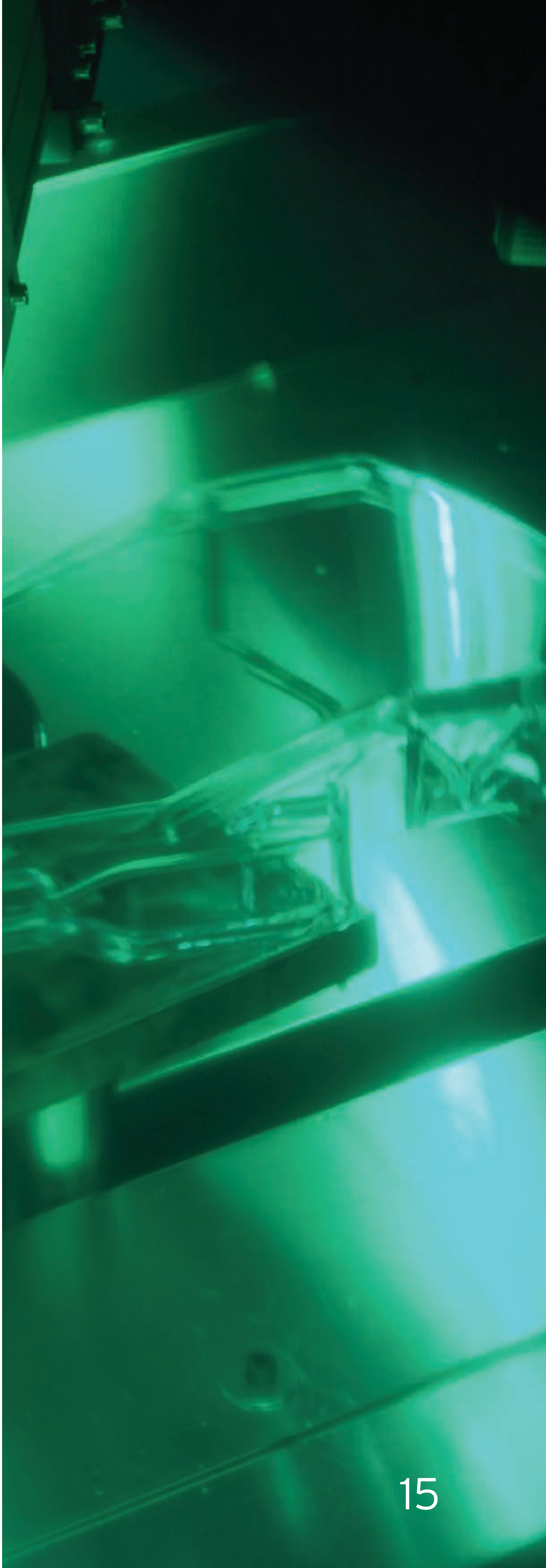
Our capital expenditure in Wipac has been at a high level to ensure we have the capabilities to manufacture the wide range of components that make up an LED lamp. These different capabilities cover the wide variety of individual lamp sizes, the various materials used, the number of different surface finishes and the combinations of colours that may be moulded into a single part as well as the various inspection and analytical validation requirements.

In general, we have seen the brands that we serve continue to plan additional new vehicles. Even established supercar brands are launching SUVs or crossovers whilst luxury brands have already or are also planning to tread that path. Our customers are seeing the benefits of selling a wider range of vehicles as a means to either balance their own production output or as a method of increasing it. Often their customer base is willing to purchase multiple vehicles rather than replacing their main vehicle as would be the case in the traditional high volume segment.

Whilst we are confident that the luxury and supercar brands will continue to provide Wipac with strong growth potential, we have conducted a review of the wider market through customer meetings and internal analysis, together with multiple benchmark costing exercises, and have determined that the medium-volume sports car and premium sector (where volumes are in the range of 10,000 to 30,000 vehicles per annum) would be both profitable for us and suited to our skills and capabilities. While these programmes would have similar scale and profitability in their design, development and tooling phases to those that we currently undertake, in their manufacturing phase each one would be materially larger and consequently more profitable.

Having discussed our strategy in detail with leading brands, we were able to secure our first such programme prior to the end of the financial year. This is expected to enter production in late 2019 and we expect it will be profitable in each phase. Expected volume is over 30,000 vehicles per annum. Unlike most of our existing business, the design and development phase payments are not fully recovered in that phase and instead part is recovered over the eventual supply of lamps. Whilst this will not impact reported revenues and profitability during the design phase, it will result in a need for us to invest in working capital, with overall project cash breakeven occurring only after the first year of manufacturing.

This move into the medium-volume segment is expected to have a significant positive impact on the group's revenues and profits from 2019 and we are targeting to average one such programme win per year.



chief executive's review CONTINUED

With the level of anticipated growth in the Wipac business and our move into a wider market position, we are now planning to extend the current factory at Buckingham to create sufficient capacity to accommodate further growth in the medium-volume programmes. Such expansion investment will only need to be committed following the awarding of further programme wins and will not be speculative.

Our analysis of the investment required to achieve this plan suggests that it can be met from the group's free cashflow without hindering our organic investment plans for our other businesses.

On 15 October 2015 we reported that VW had postponed the release of their flagship model following the diesel emissions scandal. Whilst we have continued to work closely with VW on the successor programme, the timing or model details have not yet been confirmed and therefore we do not assume any revenues from it in our own financial forecasts. We have continued to win new business from the VW group and we believe that the fallout from the diesel emissions scandal will drive forward ever increasing levels of model variants across not just VW, but the wider industry, particularly in terms of electric and hybrid vehicles, and will present us with increased opportunities.

Within the Optics and Aftermarket segments of LED Technologies, we have enjoyed another year of strong growth with sales increasing 17.6% on the prior year. Our future growth will come from optics manufactured mainly in our Technical Plastics site in Czech Republic. The abundant space and cost efficiency of our Czech Republic site and its geographical location close to many major OEMs throughout Eastern Europe leave us well positioned to continue to grow the business.

Aerospace (Formerly Precision Engineering)

Revenue increased marginally from £6.3 million to £6.4 million although operating profits reduced by £0.2 million to £1.3 million; the higher sales and lower profit reflected both the slower first half and the continued reduction in control cable supplies and the resulting switch to slightly lower margin machined components in their place. The second half of the year saw an increased level of activity versus the first half and we finished the year with a good level of demand as our major end customer, the leading European aircraft manufacturer, continued to increase build rates of new aircraft. The spares market for components continued steadily and we have gained some momentum with the Tier 1 manufacturers during the year. Our cable business in France has continued to perform consistently as its products are predominantly used on French made aircraft, where demand has been steady. In the UK the new aircraft market has declined over the last decade and there are few remaining aircraft models being built and even fewer that utilise control cables. Our UK business has and will continue to move further towards machining OEM and spare components for the European civil aviation market and is well configured for this. We have a number of potentially large new spares programmes underway and we see good visibility over the current year. Overall, our Aerospace business is expected to generate sales and profits broadly consistent with recent years over the medium term.

Conclusion

The group has delivered a strong operational and financial performance during the year and taken clear strategic decisions which we expect will enable us to create significant future shareholder value. We see encouraging opportunities for the group and believe that Carclo is well positioned to drive strong improvements in financial returns over the long term.

Chris Malley
7 June 2016


FANUC
STRATEGIC PARTNER
ch
nd Automation
FANUC Robot M-710iC

finance director's review

Financial summary

	2016 £million	2015 £million
Revenue	119.0	107.5
Divisional underlying* operating profit	12.8	9.9
Unallocated costs	(2.8)	(2.1)
Underlying operating profit	10.0	7.8
Exceptional items	(4.9)	(31.7)
Net bank interest	(0.9)	(0.7)
IAS 19 net financing (charge) / credit	(0.3)	0.1
Profit / (loss) before tax	3.9	(24.5)
Income tax (expense) / credit	(1.7)	1.7
Profit / (loss) attributable to ordinary shareholders	2.2	(22.8)
Ordinary dividend paid or declared	(1.8)	(1.7)
Surplus / (deficit) for the year	0.4	(24.5)
Divisional underlying* operating margin from continuing operations	10.7%	9.2%
Basic earnings per share	3.3p	(33.2p)
Underlying earnings per share	10.1p	7.9p

*underlying is defined as before all exceptional items

Group turnover in the financial year was £119.0 million (2015 - £107.5 million). The 10.7% increase in turnover was due to strong revenue growth in both Technical Plastics and LED Technologies. Technical Plastics reported revenues of £70.5 million (2015 - £64.3 million) benefitting from a stronger performance in the second half of the year as expected while LED Technologies also saw a material increase in sales to £40.5 million (2015 - £34.1 million) due to the continued growth of its supercar lighting business. Our Aerospace division generated turnover of £6.4 million (2015 - £6.3 million).

Divisional underlying operating profit was £12.8 million (2015 - £9.9 million) and group underlying operating profit was £10.0 million (2015 - £7.8 million). Unallocated costs were £2.8 million (2015 - £2.1 million) and include head office administration costs and expenditure relating to the administration of the group pension scheme which totalled £0.6 million (2015 - £0.65 million). Unallocated costs increased in the year mainly due to a £0.5 million charge in respect of the group's Performance Share Plan under IFRS 2 "Share-based Payment".

The group profit before tax was £3.9 million (2015 – loss before tax of £24.5 million).

Exceptional items of £4.9 million mainly relate to the impairment of patents and developments costs at Carclo Diagnostic Solutions ("CDS"). Additionally, as disclosed at the half year, a further impairment charge of £3.0 million was made in respect of CIT Technology's patents and development costs, however, the effect of this was offset by income of £3.0 million recognised in respect the agreement with UniPixel Inc. to license CIT Technology's fine line technology.

Net bank interest was £0.9 million (2015 - £0.7 million) and this increase was due to the group's higher average debt during the year. The IAS 19 net financing charge was £0.3 million (2015 – net financing credit of £0.1 million) due to the IAS 19 pension deficit as at 31 March 2015.

The group tax charge for the year was £1.7 million (2015 – credit of £1.7 million). The underlying tax charge (excluding exceptional items) was £2.1 million (2015 - £1.9 million) and this reflects an underlying tax rate of 23.7%. This rate exceeds the current UK corporation tax rate because a significant proportion of the group's profits are earned in jurisdictions with higher tax rates.

The underlying earnings per share was 10.1 pence (2015 – 7.9 pence), an increase of 27.8%.

Cash flow, net debt and gearing

	2016 £million	2015 £million
Underlying cash flow*	16.6	6.5
Interest and tax	(2.1)	(1.4)
Capital expenditure	(8.4)	(6.6)
Free cash flow	6.1	(1.5)
Pension payments	(1.1)	(1.0)
Non-recurring	(1.4)	(1.8)
Proceeds from issue of share capital	0.0	0.1
Equity dividends	(1.8)	(1.8)
Cash flow from corporate activities	1.8	(6.0)
Development expenditure	(1.4)	(1.3)
Foreign exchange movement	(0.6)	0.5
Increase in net debt** in year	(0.2)	(6.8)

*Underlying cash flow includes the receipt of a £3.0 million royalty prepayment in respect of the licensing of CIT Technology's fine line technology to UniPixel Inc.

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

Group debt increased marginally to £24.8 million at 31 March 2016 (2015 - £24.5 million). This represents gearing of 47.7% (2015 – 48.0%) excluding the pension deficit of £23.2 million (2015 - £12.1 million). Operating cash flow, before working capital and excluding the £3.0 million royalty prepayment received by CIT Technology, was £14.9 million. Working capital increased with the expansion of our inventories and receivables due to the growth in the businesses during the year. The group's net debt to Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") ratio as at 31 March 2016 was 1.77x (2015 – 2.01x) as we move towards achieving our medium term target of 1.5x.

Group capital expenditure in cash terms was £8.4 million (2015 - £6.6 million) representing 217% of the total group depreciation charge (2015 – 180%). Of this amount, some £3.1 million related to the cost of the new Technical Plastics facility in Taicang, China.

Pension contributions of £1.1 million (2015 - £1.0 million) were made during the year in respect of the previous recovery plan agreement with the pension scheme trustees. The group also paid the pension scheme administration costs of £0.6 million (2015 - £0.65 million).

Non-recurring expenditure of £1.4 million relates primarily to the cash costs of closing the CIT Technology facility at Cambridge, the costs of which were provided for in the year ended 31 March 2015.

Development expenditure of £1.4 million (2015 - £1.3 million) was capitalised during the year and relates to Carclo Diagnostic Solutions ("CDS").

Financing

As at 31 March 2016 the group's net debt was £24.8 million (2015 - £24.5 million). The group had total bank facilities of £40.9 million which included committed facilities of £30.0 million and overdraft facilities of £10.9 million. The group's committed facilities do not expire until March 2020.

The two main covenants in the facility agreements are underlying interest cover and the ratio of net debt to Underlying EBITDA, and the group had a very comfortable level of headroom on both of these covenants as at 31 March 2016. As part of the bank facility agreements, the group's bank has 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.

Pensions

As at 31 March 2016 the group pension scheme had a deficit of £19.0 million net of deferred tax (2015 – £9.7 million) as calculated under IAS 19. The defined benefit pension liability decreased slightly to £196.9 million (2015 - £201.1 million) whilst the fair value of the scheme assets decreased to £173.7 million (2015 - £189.0 million) reflecting the poor performance of equity markets during the year. The revised investment strategy of the scheme pension trustees to invest in diversified growth funds assisted the performance of the scheme assets relative to the broader performance of equities.

The cash cost of the pension scheme to the group was £1.7 million during the financial year. This includes annual contribution of £1.1 million under the previous recovery plan and scheme administration costs of £0.6 million. The recovery plan contribution was part of the plan agreed with the trustees subsequent to the scheme triennial valuation at 31 March 2012. At 31 March 2016 group properties with a net book value of £5.4 million were subject to a registered charge in favour of the group pension scheme.

CIT Technology ("CIT")

As previously announced, the group closed its CIT operations during the year. CIT reported revenues of £1.6 million (2015 - £2.9 million) and made a small underlying operating loss in the year under review.

During the financial year we announced a licensing agreement with UniPixel Inc. ("UniPixel") under which CIT granted an initial patent licence for its fine line technology and will receive royalty payments per annum of the greater of US$1.65 million or 1.67% of annual net product sales during the initial five year term of the agreement. An initial non-refundable cash prepayment of US$4.7 million was received by CIT at completion in respect of this initial royalty agreement and this has been recognised in the year ended 31 March 2016. This amount was counterbalanced by a £3.0 million impairment of the remaining intangible asset relating to CIT.

Carclo Diagnostic Solutions ("CDS")

In the year under review the group incurred £1.4 million of development costs (2015 - £0.9 million) in respect of CDS and these costs have been capitalised on the group balance sheet. It was announced on 16 May 2016 that the group intended to cease further investment in CDS and to exit the business. Consequently, the group has taken a £4.9 million impairment charge (including the £1.4 million capitalised this year) in respect of the patents and capitalised development costs relating to CDS as at 31 March 2016. Closure costs of up to £1.0 million are expected to be incurred in respect of CDS in the financial year ending 31 March 2017.

Robert Brooksbank
7 June 2016

directors' review of the principal risks faced by the group

The board undertakes an annual review of the effectiveness of the risk management framework, policy and procedures and the performance of the Audit Committee and also approves the risk management policy. The board also reviews the principal risks in the corporate risk register, which is based on and built upon risk registers within the business segments. The principal risks faced by the group, as determined by the directors, are –

Global economy

It is inevitable that for a global entity such as Carclo international events outside of our control will leave us potentially exposed to volatility and insecurity both in respect of our own business and the customers served by the group and this raises the risk profile for all businesses.

Carclo has high operational gearing and a large risk currently faced by the group remains a sharp reduction in demand should global economic output reduce further. Carclo serves a number of markets, such as medical and supercar markets, which have remained mostly detached from general consumer activity and as such have, to date, been comparatively unaffected by the uncertainty in global demand. However should these markets be impacted then Carclo has a proven track record of acting swiftly to rebalance the supply base with demand.

Political uncertainty including 'Brexit'

In the event that the UK votes to leave the European Union, this could lead to a great deal of uncertainty in the UK and European economy which could impact Carclo. A UK exit could cause disruption for our UK businesses and scaremongering amongst the press may discourage trade and investment. Setting up bilateral treaties will also take up time and money.

Ultimately Carclo will be able to continue to trade with member states and the group will take guidance on any new trading regulations should the UK exit the European Union. As the group operates in some countries which are outside of Europe and the EU this should help lessen any impact/ disruption caused by an exit. In addition, approximately two thirds of Carclo's UK based businesses' revenues are derived from the UK, which further lessens the impact of the risk. The group has also taken measures to mitigate against any adverse Euro fluctuations should an EU exit take place.

Reliance on major customers

The proportion of revenues generated from the top five customers in the year was 47.4% (2015 – 47.9%). One medical customer accounted for 19.3% of revenues (2015 – 22.8%) and one supercar customer accounted for 14.5% of revenues (2015 – 13.0%). No other customer accounted for more than 10.0% of revenues in the year or prior year.

Our policy has been to focus on major customers who are blue-chip multi-nationals operating in the medical, electronics and automotive markets. Focusing on these key customers brings significant opportunities to develop in low cost regions and enhance the customers' products through our own technologies.

The position of having a small customer base can be attributed to a number of factors, including efforts being concentrated on gaining and building relationships with major companies. Globalisation and customer acquisition policy has also meant that across the group we are increasingly dealing with different trading arms of the same global entity.

There does remain an associated risk in 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.

Global operations

Carclo is a global manufacturer which has developed facilities within low cost regions. These create significant benefits for the group due to the ability to service our customers' geographic and financial requirements. Inevitably there are risks created by this policy but these are mitigated as follows-

i) Management control

The group uses a centrally managed common information technology system 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.

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

Energy costs in the UK have remained relatively stable in recent years following their volatility in the latter part of the last decade. Carclo's operating businesses are not especially energy intensive and we consistently work towards increasing the efficiency of our businesses both to reduce costs and to minimise our carbon footprint.

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.

Pensions

Carclo's UK defined benefit pension scheme is very mature and is large compared with the size of Carclo. The scheme is backed by substantial assets amounting to £173.7 million at 31 March 2016 (2015 - £189.0 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 company and group.

The impact of the pension deficit on the level of distributable reserves is monitored on an on-going basis. Monitoring improves planning for any potential adverse swings and helps the group to assess the likely impact on distributable reserves. The new investment strategy (utilising diversified growth funds and liability driven investments) should reduce volatility and this has been seen in the first 12 months since implementation.

In addition the company and the trustees are exploring liability management possibilities (including Enhanced Transfer Values) with assistance from JLT. These are designed to incentivise certain members to leave the scheme in order to reduce the uncertainty for the company.

A triennial valuation of the scheme was undertaken as at 31 March 2015 and, based on this valuation, the group has agreed a revised recovery plan with the trustees. The recovery plan requires annual, index linked, contributions of £1.2 million to be made commencing 31 October 2016 for a period of 3 years.

In addition the group has in recent years offered eligible pensioners the option to switch from a pension with indexed linked pension increases to a higher fixed pension with no future increases.

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 continues to monitor the forecast position monthly in order to ensure that adequate headroom is maintained. The facilities were renewed in 2015 and next fall due for renewal in 2020.

Foreign exchange exposure

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

The group aims to manage transaction risk through a natural hedge where possible. 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 2016 the group had term loan borrowings of US $10.6 million which are

directors' review of the principal risks faced by the group CONTINUED

being used to hedge the assets held in the USA and £7.5 million which are used to hedge the assets in France and the Czech Republic.

For the 31 March 2017 period the group has taken out transactional and translation hedges which help mitigate against any potential adverse movements with the Euro (€). Both these measures ensure the group has extra protection against currency fluctuations going forward.

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

IT security breach / system failures

Hacking and data security are an increasing concern for businesses. In Carclo's case it being a listed company, introduces real risk. We trust our IT systems to process a significant number of transactions each day. These systems contain highly confidential information about our customers, employees and shareholders. Breaches of IT security may result in unauthorised access to or loss of confidential information.

An IT security breach may lead to loss of business, reputational damage, litigation and regulatory investigation and penalties.

A breakdown or system failure may lead to major disruption for the businesses within the group especially if network access is lost. The impact could have significant operational and financial ramifications if connection is unable to be restored quickly.

Carclo uses a security password protected firewall to help minimise the risk of fraudsters hacking into the system. In addition IT management undergo regular risk reviews to help keep data secure. In an ever-changing environment this serves to protect the information that we are entrusted with.

The business has a defined Disaster Recovery procedure for the invocation of Disaster Recovery measures in place with a third party support company, Phoenix. Disaster recovery tests are performed annually and a successful disaster recovery test was performed in January 2016.

Viability Statement

In accordance with the provision of section C.22 of the 2014 revision of the Code, the board have assessed the viability of the group over a five-year period to March 2021 as that is the period covered by the board approved strategic plan. The strategic plan is updated annually and includes an analysis of profit performance from all businesses, cash flow projections, capital investment expectations and estimates of returns to shareholders.

The board considers five years to be an appropriate timeline on which to base the strategic review as this is the period over which it believes that a reasonable estimate can be made of contracts both achieved and planned for. A period of greater than five years is considered to be overly affected by the inherent uncertainties involved.

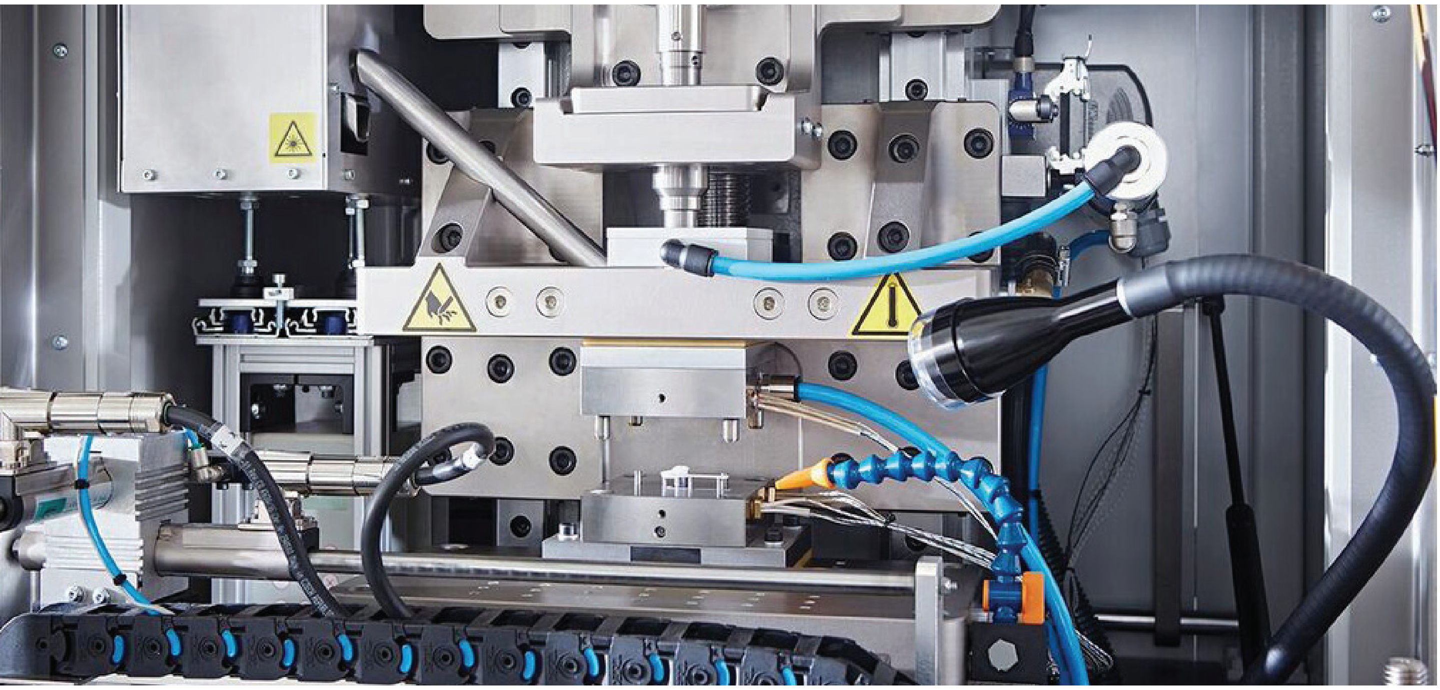
The board have undertaken a detailed review of the group's current financial position and investigated the key assumptions included within the plan coupled with the potential effects of one or more of the principal risks discussed on pages 22 to 24.

While all risks have a potential impact the sensitivity analysis focused on the economic environment and the capacity for growth, coupled with the relative diversity of the group's key business segments that mitigate the overall trading risk. In addition the plans for expansion were reviewed to ensure that capacity would be available to achieve the desired goals.

The mitigation considered the group's ability to raise additional finance where required alongside its currently strong financial position and the likelihood of being able to renew the current finance facilities at renewal in 2020.

Based on the review the board has a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the five year period.

social responsibility report



The board considers that it is paramount that the group maintains the highest ethical and professional standards throughout all its undertakings and that social responsibility should remain a key tenet of operations and decision making. It understands the importance of managing the impact that the business can have on employees, customers, suppliers and other stakeholders and feels this impact should be regularly reviewed to maintain constant improvement, which in turn supports the long-term performance and sustainability of the business.

Our focus is to embed the management of these areas into our business operations, both managing risk and delivering opportunities that can have a positive influence on our business.

During the year there have been no prosecutions, fines or enforcement action as a result of non-compliance with safety, health or environmental legislation.

Social Responsibility Committee

We have established a group Social Responsibility Committee. This Committee, which is chaired by the group finance director and includes the group company secretary and responsible employees from subsidiaries, will meet a minimum of three times a year and will drive the group's actions in the fields of global social responsibility, health and safety, bribery and corruption, environmental and climate change policies, charitable support, equality and human and labour rights, whistleblowing and supply chain labour standards. The Committee has been allocated a budget by the group for use in charitable pursuits.

Employees

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

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

We believe that the group should demonstrate a fair gender mix across all levels of our business. At 31 March 2016 27% of our employees identified as female (2015 - 31%). The proportion of women in senior management positions amounted to 10% (2015 – 10%)

Ethical policy

Following the enactment of the Bribery Act 2010, we have codified our Ethical Policy confirming our commitment to not tolerating bribery, corruption or other unethical behaviour on the part of any of our businesses in any part of the world. Compliance with the act has been a priority for the group and the policy provides guidance and instruction to employees and training has been performed in all areas of the business to ensure that it is complied with.

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.

Health and safety

A comprehensive health and safety policy is in place to ensure a safe working environment at all times with a plan to ensure that all facilities in all countries meet the requirements of the most exacting location. The health and safety policy also demonstrates our additional responsibility to customers, suppliers and contractors and we maintain communication of the policy at all levels throughout the group.

Global social responsibility

Carclo is a global company, which drives for sustainable growth in partnership with local communities and we take our responsibilities towards those communities to maintain an ethical supply chain seriously. With full control over our manufacturing facilities in low cost regions we commit to being a responsible supplier and ensure that we at least meet local social expectations.

Community involvement

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

We fully support the Indian government's Corporate Social Responsibility ("CSR") scheme via our facility in Bangalore.

Performance management

We are developing a number of key performance indicators to help manage and maintain our corporate responsibility risks and opportunities. These will cover, although not be restricted to, carbon monitoring and reduction, health and safety and community investment.

Greenhouse gas emissions

The group is required to report its annual greenhouse gas ("GHG") emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("Regulations"). We have collated data during the year to 31 March 2016 and are reporting emissions for this period to coincide with the group's financial reporting period.

The table sets out the group's global emissions in tonnes of carbon dioxide equivalent (tCO2e) for the year under review:

	2016	2015
Emissions from:		
Combustion of fuel and operation of facilities (tCO2e)	1,679	2,073
Electricity purchased for own use (tCO2e)	18,088	18,092
Total (tCO2e)	19,767	20,165
Group revenue (£ million)	118,974	107,503
Intensity ratio (tCO2e per £1 million of revenue)	166.1	187.6

An operational control methodology has been used to identify material emissions sources. Data has been collated from source documentation or, where this has been impracticable, using estimates. Calculations of emissions for the period have been made using third-party, specialist software and have undergone third-party quality assurance.

To enable meaningful comparison of GHG emissions across periods an intensity ratio has been determined based on group revenues.

Strategic Report signed on behalf of the board

Chris Malley
7 June 2016

directors and advisers

Directors

* Michael Derbyshire - chairman
Christopher Malley - chief executive
Robert Brooksbank
* Robert Rickman
* + Peter Slabbert
* David Toohey

* non executive
+ senior independent director

Secretary

Richard Ottaway

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E-mail:	investor.relations@carclo-plc.com

Registered Company Number: 196249

governance

directors' report

Principal activities

The group's activities are shown on page 9.

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 "Overview" and "Divisional" sections of the chief executive's review and the "Financial summary" section in the finance director's review on pages 6 to 21. The directors' review of the principal risks faced by the group is detailed on pages 22 to 24 and viability statement is detailed on page 24. The chairman's statement, chief executive's review, finance director's review, statement of corporate governance, directors' remuneration report and directors' review of the principal risks faced by the group and viability statement are each a part of the directors' report.

Profits and earnings

The profit of the group before taxation after charging net interest of £1,282,000 (2015 – £666,000) amounted to £3,895,000 compared with a loss of £24,545,000 for the previous year. After taxation the profit per ordinary 5 pence share was 3.3 pence compared with a loss of 33.2 pence for the previous year.

Share capital and authority to purchase shares

At 31 March 2016, the company's issued share capital comprised 66,213,142 ordinary shares of 5p each. Details of the changes in issued share capital during the year are set out in Note 23 to the accounts.

Each share carried equal rights to dividends, voting and return of capital on the winding up of the company as set out in the company's articles of association. There are no restrictions on the transfer of securities in the company and there are no restrictions on voting rights or deadlines, other than those prescribed by law, nor is the company aware of any arrangement between holders of its shares which may result in restrictions on the transfer of securities or voting rights.

At the annual general meeting in September 2015 shareholders gave authority to the directors to purchase up to 10% of the company's issued ordinary shares in the market. No ordinary shares in the company were purchased during the year under this authority which will expire at the annual general meeting in September 2016. The directors will ask shareholders to renew the authority at that meeting.

Contracts of significance and related parties

There were no contracts of significance between any member of the group and (a) any undertaking in which a director has material interest, or (b) a controlling shareholder (other than between members of the group). There have been no related party transactions between any member of the group and a related party since the publication of the last annual report.

Substantial shareholdings

The company had been notified under Disclosure and Transparency Rule 5 of the following major holdings of voting rights associated with its issued ordinary share capital as at 18 May 2016 -

	31 March 2016	18 May 2016
Aberforth Partners LLP	14.0%	13.4%
Henderson Global Investors	8.1%	8.1%
Schroder Investment Management Ltd	7.6%	7.6%
Old Mutual Global Investors (UK) Limited	7.4%	8.2%
The National Farmers Union Mutual Insurance Society Limited	3.8%	3.6%
BlackRock Investment Management (UK) Limited	3.7%	3.9%
Cavendish Asset Management Limited	3.6%	3.5%
Hargreaves Lansdown Asset Management	3.6%	3.7%
Redmayne-Bentley LLP	3.3%	3.3%
Standard Life Investments Ltd	3.2%	3.2%
Barclays Wealth	3.1%	3.1%

Directors and governance

The directors at the date of this report are listed on page 28.

The directors who served during the year are shown below:

Michael Derbyshire	Chairman
Chris Malley	Chief executive
Robert Brooksbank	Finance director
Robert Rickman	Non executive director
Peter Slabbert	Non executive director
David Toohey	Non executive director

Additional information relating to directors' remuneration and interests in the ordinary share capital of the company are included in the directors' remuneration report on pages 40 to 56.

As part of the board's annual evaluation process, each director undertook a performance evaluation which included considering the effective contribution of board members and the effectiveness of the board committees.

Biographical details relating to each director are shown below:

The Corporate Governance report on pages 34 to 37 provides the corporate governance statement required by Disclosure and Transparency Rule 7.2.1.

Biographies of directors

Michael Derbyshire Age 68

A non executive director from 1 January 2006 and appointed group chairman on 6 September 2012. He is a chemical engineer and was previously chairman of Survitec Group Limited, Racal Acoustics Global Limited and Allied Textiles Limited and chief executive of Whitecroft plc.

Robert Brooksbank Age 50

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.

Chris Malley Age 49

Joined the group in May 1999 and was appointed to the board on 1 July 2012. He was appointed as chief executive with effect from 27 March 2013.

He has an honours degree in economics and is a chartered management accountant. Prior to joining the group he held several finance and commercial positions within Jefferson Smurfit Group plc. Since joining Carclo, he has held senior positions within finance, corporate development and general management.

Robert Rickman Age 58

A non executive director from 1 July 2012 and chairman of the Remuneration Committee from 6 September 2012. He is a partner in the Rockley Group, a private technology investment organisation, and a non executive director of Schroder UK MidCap Investment Trust. He was formerly a director of Bookham Technology plc.

Peter Slabbert Age 53

A non executive director from 1 April 2015 and chairman of the Audit Committee from that date. Chief Executive of Avon Rubber plc from April 2008 to September 2015. He joined Avon as Group Financial Controller in May 2000 and he was appointed Group Finance Director on 1 July 2005. A Chartered Accountant, Peter joined from Tilbury Douglas where he was Divisional Finance Director and Group Financial Controller. Prior to that, he worked at Bearing Power International as Finance Director.

David Toohey Age 59

A non executive director from 1 April 2015. He has over 30 years' experience in international business, the last 20 of which have been in medical devices and the In Vitro Diagnostics ('IVD') industry. He has been Chief Executive Officer of Syncrophi Systems Limited since 2012. He joined Syncrophi from Alere Inc, where he spent 11 years in senior managerial roles, latterly as President of International Business Operations. He has held various Executive positions at Boston Scientific Corporation, Bausch & Lomb, Inc., Digital Equipment Corp. and Mars, Inc.

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 40 to 56.

Directors' indemnities

Article 132 of the company's articles of association includes qualifying indemnity provisions, limited by law, in respect of the directors' performance of their duties as a director of Carclo plc or any associated company. The company takes out insurance covering claims against the directors or officers of the company and any associated company and this insurance provides cover in respect of some of the company's liabilities under Article 132.

Disclosure of information to auditor

In accordance with section 418(2) of the Companies Act 2006, 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 auditor is 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 auditor is aware of that information.

Explanation of business of the annual general meeting 2016 ("AGM")

Resolution 1 – to receive the Annual Report and Financial statements

The directors will present their report, the auditors' report and the audited financial statements for the financial year ended 31 March 2016 to the meeting. This gives shareholders the opportunity to ask questions on the contents before voting on the resolution.

Resolution 2 – Approval of the Directors' Remuneration Report

The directors will put the Directors' Remuneration Report to the meeting. The Report can be found on pages 40 to 56 of the company's annual report 2016. Shareholders will have the opportunity to ask questions on the contents of the Directors' Remuneration Report before voting on the resolution. Whilst the payment of remuneration to the directors is not dependent on the passing of the resolution, your board will take the vote into account when considering the future development and operation of the company's remuneration policy and practice.

Resolution 3 – Final Dividend

The directors recommend that a final dividend of 1.95 pence be paid (2015 – 1.90 pence), making a total dividend for the year of 2.85 pence (2015 – 2.75 pence).

Subject to shareholder approval, dividend payments will be paid on 7 October 2016 to shareholders on the register at close of business on 26 August 2016. The shares will be traded excluding the right to the dividend from 25 August 2016.

Resolution 4A – 4F – Re-election of directors

The Company's Articles of Association state that one third of the directors (excluding directors appointed by the board since the last AGM, (all of whom retire at the AGM following their appointment) must retire by rotation each year, though they may offer themselves for re-election. However, in accordance with developing best practice and corporate governance, this year all directors are retiring and seeking re-election. Following a formal evaluation process during the year, it was determined that each director continues to be an effective member of the board and demonstrates commitment to the role. Biographical details relating to each director can be found in the Annual Report 2016.

Resolution 5 – Re-appointment and remuneration of auditor

The company's auditors must be appointed each year at the AGM. The board has decided to put KPMG LLP forward to be re-appointed as auditors and resolution 5A concerning their re-appointment will be put to the members at the AGM. Resolution 5B authorises the directors to determine the auditor's remuneration.

Resolution 6 – Renewal of the powers of the board to allot shares

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, resolution 6 will be proposed at the AGM authorising the directors to allot ordinary shares of up to £1,103,552 nominal amount (equivalent to one third of the present issued ordinary share capital as at 7 June 2016).

Resolution 7 – Directors' authority to dis-apply pre-emption rights and to allot shares for cash

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, resolution 7 will be proposed at the AGM authorising the directors to allot ordinary shares of up to £165,533 in nominal amount for cash (being approximately 5% of the current issued ordinary share capital as at 7 June 2016 as if section 561 of the Companies Act 2006 did not apply).

Resolution 8 – Authorisation for the company to purchase its own shares

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 8). 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 6,621,314 shares (being approximately 10% of the present issued share capital of the company as at 7 June 2016);
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 2017 or, if earlier, at the conclusion of the company's annual general meeting to be held in 2017.

There were outstanding at 7 June 2016, options to subscribe for 66,000 ordinary shares, representing 0.10% of the current issued share capital. If the full share purchase authority was utilised, the options outstanding would represent 0.11% 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. In addition, the effect of any share purchase would be reflected in any earnings per share calculation used for the purposes of incentive awards.

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 London 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 2015 annual general meeting.

Resolution 9 – notice of general meetings

Finally, resolution 10 will seek shareholder approval to allow the company to call general meetings (other than annual general meetings) on 14 clear days' notice. The directors confirm that this shorter period will only be used where merited by the purpose of the meeting. 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 109 to 111 and the authorities would last until the annual general meeting in 2017 or on 1 December 2017 whichever is the earlier.

The directors believe that the adoption of all the resolutions set out in the notice of meeting dated 24 June 2016 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

Richard Ottaway
Secretary
7 June 2016

statement of corporate governance

UK Corporate Governance Code

The company remains committed to the highest standards of corporate governance for which the board is accountable. The company has complied throughout the year with the main provisions of the 2014 UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council. The company continues to maintain and review its systems, processes and policies to support its sustainability and government practices. This statement, together with the directors' remuneration report, describes how the company has applied the main principles of the Code.

The board

During the year the board comprised the non executive chairman, the chief executive, the executive finance director and three other non executive directors. Under the company's articles of association, all directors must offer themselves for re-election at least once every three years. However, in accordance with developing best governance practice, this year all directors are again retiring and seeking re-election as appropriate.

The biographies of all the directors appear on page 32.

The roles of chairman and chief executive are held by separate directors with a clear division of responsibilities between them. The chairman has primary responsibility for leading the board and ensuring its effectiveness. He sets the board's agenda and ensures that all directors can make an effective contribution. The senior non executive director has the power to add items to the agenda of full board meetings. The chief executive has responsibility for all operational matters and the development and implementation of group strategy approved by the board.

The chairman and each non executive director were independent on appointment and the board considers each non executive director to be independent in accordance with the Code.

The board appointed P Slabbert as senior independent non executive director who is available to shareholders if they have concerns which have not been resolved through the normal channels of chairman or chief executive.

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.

	Board Meetings		Remuneration		Audit	
	No.	No.	No.	No.	No.	No.
	Held	Attended	Held	Attended	Held	Attended
MJC Derbyshire	10	10	3	3	3	3
P Slabbert	10	10	3	3	3	3
RJ Rickman	10	10	3	3	3	3
D Toohey	10	10	3	2	3	3
CJ Malley	10	10	-	-	-	-
RJ Brooksbank	10	10	-	-	-	-

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). Briefing papers are distributed by the secretary to all directors in advance of board meetings. All directors participate in a full induction process on joining the board and subsequently receive training and briefing as appropriate. The directors are authorised to obtain independent advice as required.

Conflicts of interest

Under the requirements of the Companies Act 2006 each director must seek authorisation before taking up any position that may conflict with the interests of the company. The board has not identified any actual conflict of interest in relation to existing external appointments for each director which have been authorised by the board in accordance with its powers. A register is maintained by the company secretary and reviewed on an annual basis.

Board evaluation

This year the chairman supervised an internal evaluation of the board's performance and that of its three principal Committees. In addition, an evaluation of the performance of individual directors was undertaken.

The evaluation process was based on a series of questions devised for the purpose and circulated to the directors. The process reviewed issues such as: the assessment and monitoring of the company's strategy; the monthly board meeting agenda and information flow, the evaluation of risk and social responsibilities including anti-bribery policies and environmental risks. There was also a review of the role and performance of the board Committees. The results of the evaluation were collated by the chairman and will form the basis of board objectives for 2016, including:

- refining the group's technology business strategy
- discussion of management and board succession
- further evaluation of business risks
- development of environmental policies including energy minimisation strategies

The Nomination Committee recognises the benefits to the group of diversity in the workforce and in the composition of the board itself and supports the Davies Report's aspiration to provide a greater female representation on listed company boards. While the company will continue to make all appointments based on the best candidate for the role, we will look to follow the procedures recommended by the Davies Report and by the Code when new board appointments are made.

Board Committees

The board has three Committees, Nomination, Remuneration and Audit all of which have terms of reference which deal specifically with their authorities and duties. The terms of reference may be viewed on the company's website. All Committee appointments are made by the board. Only the Committee chairmen and members of the Committees are entitled to be present at Committee meetings, but others may attend by invitation.

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. In considering an appointment the Committee evaluates the balance of skills, knowledge and experience of the board and prepares a description of the role and capabilities required for a particular candidate.

In the last year the full Committee has met once to discuss succession planning and board performance.

Remuneration Committee

The company has established a Remuneration Committee consisting entirely of independent non executive directors including the group chairman. The Remuneration Committee met three times during the year and is chaired by R Rickman. 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 40 to 56 sets out the group's remuneration objectives and policy and includes full details of directors' remuneration in accordance with the provisions of the Code.

The Remuneration Committee takes care to recognise and manage any conflicts of interest when receiving views from executive directors or senior management, or consulting the chief executive about its proposals.

Audit Committee

The Audit Committee comprises all the non executive directors including the group chairman and meets not less than three times annually. During the year the Committee was chaired by P Slabbert who, as a Chartered Accountant and being the former group finance director of Avon Rubber plc until his appointment as chief executive in April 2008, 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 Code and include the following main roles and responsibilities:

- To monitor the financial reporting process.
- To review the effectiveness of the group's internal financial controls, internal control and risk management systems and internal audit function.
- To review the independence and effectiveness of the external auditor, including the provision of non-audit services.

The Committee has reviewed whistleblowing arrangements whereby employees can report concerns about financial irregularities, health and safety and environmental or legal matters. A dedicated whistleblower email address has been set up, details of which are included in new employee induction material and advertised at operating sites.

The Audit Committee assists the board in observing its responsibility for ensuring that the group's financial systems provide accurate information which is properly reflected in the 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. The Audit Committee report is set out on pages 38 to 39.

Certain operational and administrative matters are delegated by the board to the following executive Committees:

statement of corporate governance CONTINUED

Group Executive Committee

The Group Executive Committee is chaired by the chief executive and comprises all the executive directors together with the company secretary 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 company secretary, deputy group financial controller and group project 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.

Accountability and audit

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". These procedures provide for a continuous process for identifying, evaluating and managing the principal 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 2016, the board has reviewed the effectiveness of the group's system of internal control and risk management, 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.

Relations with shareholders

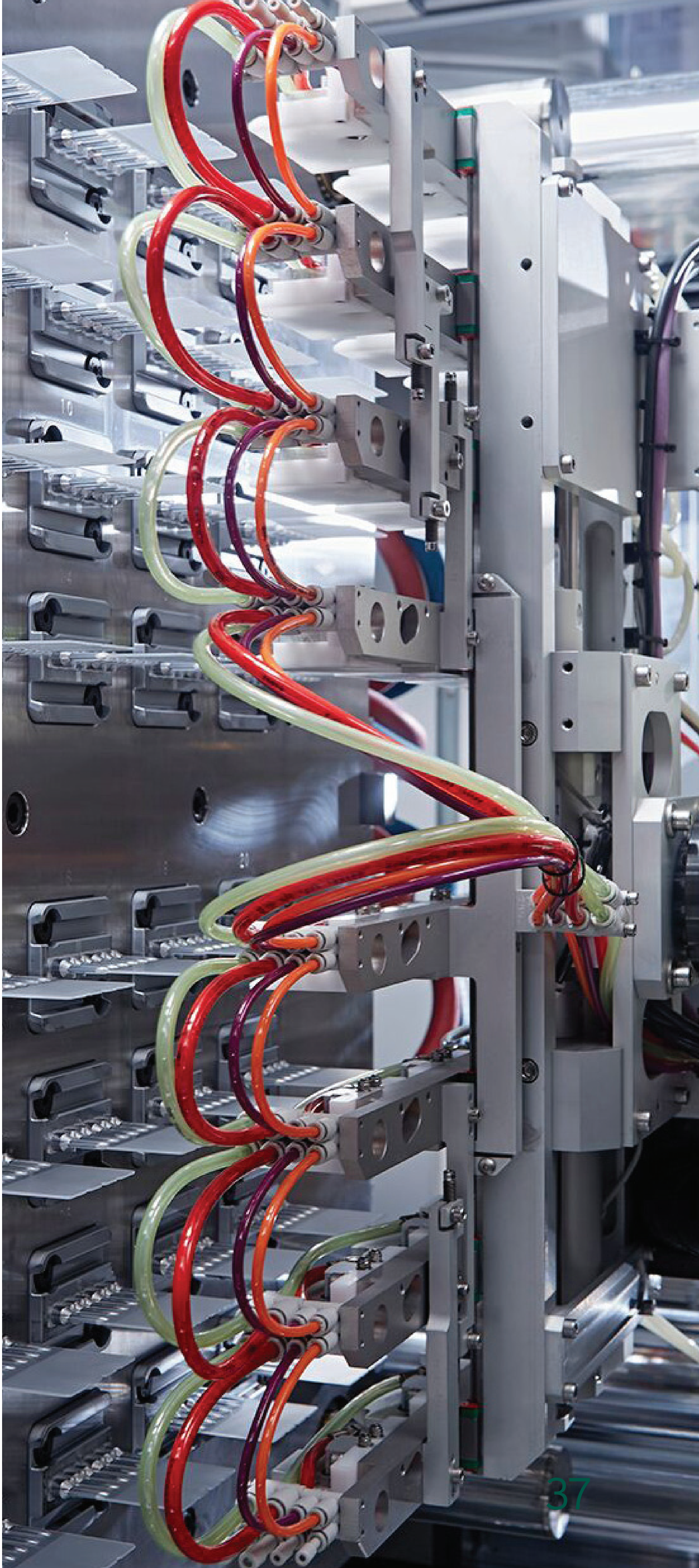
The company recognises the importance of communication with its shareholders. Regular meetings are held between directors of the company and major institutional shareholders including presentations after the company's preliminary announcements of the half year and full year results and discussions on performance and strategy. Major shareholders have been advised that the chairman and the non executive directors are available for separate discussions if required. The chairman held meetings with several major shareholders during the year. The board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation. Shareholders have the opportunity to raise questions with the board during the meeting. Directors also make themselves available before and after the annual general meeting to talk informally to shareholders, should they wish to do so. 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 1 September 2016 can be found in the notice of meeting on pages 109 to 111.

Structure of company's capital

Details of the structure of the company's capital are set out in the director's report on pages 31 to 33.

Approved by the board
on 7 June 2016
and signed on its behalf by

Richard Ottaway
Secretary



audit committee report

Annual statement by the Chairman of the Audit Committee

The Audit Committee has continued its detailed scrutiny of the group's system of risk management and internal controls, the robustness and integrity of the group's financial reporting and the scope, effectiveness and results of both the internal and external audit processes.

The key responsibilities of the Committee are:

- to keep under review the group's financial and other systems and controls and financial reporting procedures;
- to plan and scope the annual audit, receive audit reports and review financial statements taking account of accounting policies adopted and applicable reporting requirements;
- to review the annual report and financial statements and advise the board on whether they give a fair, balanced and understandable explanation of the group's business and performance over the relevant period;
- to review the internal controls of the group;
- to review and update the company's risk register;
- to review external auditor independence and audit and non-audit fees and make recommendations regarding audit tender and the appointment and remuneration of the auditor; and
- to review the Anti-Bribery Code and procedures and other policies relevant to financial security, compliance and business ethics.

The Committee will continue to keep its activities under review in the light of developing regulations and best practice.

The Audit Committee is the body appointed by the board with responsibility for carrying out the functions required by the Listing Rules DTR 7.1.3R.

Composition

The Audit Committee comprises all the non executive directors including the group chairman and meets not less than three times annually. During the year in question the committee was chaired by P Slabbert who, being a Chartered Accountant and former group finance director of Avon Rubber plc, has both recent and relevant financial experience and the board are satisfied that he has sufficient recent and relevant experience as are required by the Code. Other members also have relevant financial experience.

Meetings

Only audit committee members are entitled to attend a meeting. However, the chief executive, finance director and the external Audit Engagement Partner are normally invited to attend meetings.

Three meetings were held during the year, two of which were scheduled to coincide with the board's review and approval of the group's Interim Statement and of its preliminary results announcement based on the annual report and accounts. A section of at least one meeting during the period took place without management present.

Internal Control and risk management

The group has an established system of internal control and a risk management framework that the board considers appropriate in the context of the group's reporting requirements and strategic objectives. Internal controls are subject to internal and external audit and the outputs of the risk management process are actively challenged by the board. All these activities are periodically reviewed by the committee and their effectiveness assessed through oral and written reports from both internal and external auditors. In addition, a Risk Assurance Review is conducted annually by the full board, in addition to a Risk Management and Internal Control Report Review.

Further details of the group's risks and uncertainties together with the mitigating actions are set out on pages 22 to 24 of the annual report and accounts.

Internal Audit

The committee reviews annually the arrangements for internal audit and during the year re-appointed Mazars LLP to provide the outsourced internal audit function. The internal auditor monitors and reports on the system of internal control and works to an agreed programme. The internal and external audit plans are set in the context of a developing assurance reporting process, are flexed to deal with any change in the risk profile of the group and are approved by the committee.

Mazars LLP attended an audit committee meeting to present their reports on internal audit work during the year.

Significant issues related to the financial statements

The Committee reviews accounting papers prepared by management that provide details of significant financial reporting issues, together with reports from the external auditor prepared in conjunction with the interim and full year results, and assesses whether suitable accounting policies have been adopted and appropriate estimates and judgements have been made. These matters are also discussed with the external auditor together with anything else that the auditor brings to the committee's attention.

In the year to 31 March 2016, such issues included the impact of changes in accounting standards and other financial reporting disclosures.

The Committee also considered changes in corporate governance and the need for the annual report to be fair, balanced and understandable and to contain sufficient information on the group's performance.

The significant judgement considered by the Committee where there was potential risk of material misstatement was:

- the balance sheet carrying value of Carclo Diagnostic Solutions and the capitalisation and amortisation policies applied in respect of patents and development costs and goodwill. The group has established policies for capitalising development costs and appropriate amortisation policies which the audit committee reviews to ensure that these policies continue to be appropriate, robust and consistently applied. The Committee is satisfied that the asset values are no longer supported and that the intangible assets of the business should be impaired.

Other areas of judgement reviewed by the committee, but where it was concluded that there was not a risk of material misstatement included:

- The group balance sheet value of goodwill. The balance of goodwill on the group balance sheet as at 31 March 2016 is £19.8 million and the Audit Committee seeks to gain assurance through the executive management's and the external auditor's review of discounted cash flow analyses that there are no potential impairment or recoverability issues.
- The IAS19 pensions position. The company has a large defined benefit pension scheme with liabilities of approximately £196.9 million and assets of approximately £173.7 million as at 31 March 2016. These numbers are sensitive to the main assumptions utilised to calculate the deficit or surplus on the scheme and the Audit Committee seeks confirmation that these assumptions are appropriate

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the annual report and financial statements.

External audit

The Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. The external auditor's appointment is reviewed periodically and the lead audit partner is rotated at least once every five years. KPMG LLP has been the group's external auditor since September 2005, when the last audit tender took place, and the current audit partner took responsibility this year after replacing the previous partner who was rotated off after the conclusion of the previous audit. The Committee is aware of the relevant new requirements for auditor rotation and will monitor any further legal or regulatory developments. In line with the new requirements an audit tender will be performed prior to the 2017 AGM.

The Committee reviews reports from KPMG LLP as part of the annual audit process. These cover the scope, approach and results of the external audit and include the procedures adopted for safeguarding the firm's independence and objectivity. The quality and content of these reports, together with the performance and behaviour of the audit teams during the exercise of their duties, inform the Committee's assessment of audit effectiveness.

The Committee has an established policy for determining the non-audit services that the external auditor can provide where justified on grounds of cost and related expertise and where not impacted by potential conflicts of interest. This allows the committee to satisfy itself that auditor objectivity and independence are safeguarded. The analysis of audit and non-audit fees for the year to 31 March 2016 and the nature of the non-audit services provided appear in Note 3 on the accounts. Non-audit fees totalled £0.02 million, non-audit work is only awarded to the auditor in line with the non-audit services policy which requires approval in advance of all individual non-audit services with fees of £25,000 or more. No approval shall be given to any non-audit services not in accordance with the APB's Ethical Standards for auditors as then in effect. Given the type of non-audit services provided, they are not considered by the committee to affect the objectivity and independence of the external auditor.

Upon the recommendation of the Audit Committee, KPMG LLP will be proposed for re-appointment as auditor by shareholders at the Annual General Meeting on 1 September 2016.

Peter Slabbert
Chairman of the Audit Committee

7 June 2016

directors' remuneration report

Annual statement

Dear Shareholder

The Remuneration Committee strives to operate and demonstrate best practice in the area of executive remuneration and disclosure.

Our report has three sections as follows:

- This Annual Statement, which summarises and explains the major decisions and changes in respect of directors' remuneration;
- Our Directors' Remuneration Policy as approved at the 2014 AGM; and
- The Annual Report on Remuneration, providing details of the remuneration earned by the company's directors in relation to the year ended 31 March 2016 and how the policy will be operated for the year to 31 March 2017.

At the forthcoming AGM on 1 September 2016, the Annual Report on Remuneration together with this Annual Statement will be subject to an advisory shareholder vote. The Directors' Remuneration Policy was approved by our shareholders at the 2014 AGM and, as we are not proposing any changes to the Policy this year, in line with legislative requirements a new policy will be subject to a binding vote at the 2017 AGM.

2016 – Performance and Pay

We believe in rewarding our executives based on their individual performance and on the value created for our shareholders. The variable elements of executive remuneration are focused on simple and transparent measures of profit before tax, EPS growth and key individual strategic objectives.

Salary: As noted in 2015's Report and Accounts it had become apparent that executive director salaries had once more fallen below lower quartile comparisons, and this has now been addressed for 2017.

Bonus: 75% of the bonus was set against demanding financial targets which were not achieved. The performance measures for the 2016 bonus were amended such that the percentage of the annual bonus potential to be measured against individual performance targets was reduced from 37.5% to 25%.

Our executives performed well against their own stretching individual performance targets and earned a bonus for their performance. Chris Malley met 84% of his performance targets and Robert Brooksbank met 72% of his performance targets. Further details of the bonus payments are set out on page 50.

PSP Award: There was full vesting in relation to the Earnings Per Share ("EPS") portion of the 2013 Carclo PSP award but no vesting in respect of the Total Shareholder Return ("TSR") portion. This resulted in 50% of the shares subject to the 2013 awards vesting.

Implementation of the Remuneration Policy for 2017

The Remuneration Committee continually reviews the implementation of the senior executive remuneration policy to ensure it promotes the attraction, motivation and retention of high quality executives to deliver sustainable earnings growth and shareholder return.

During the year a review was undertaken by Kepler Associates to provide peer company comparisons and advice and this supported the conclusion reached in the prior year that the executive director salaries were no longer market competitive. A review performed by the Company Secretary of peer companies also supported the conclusion that non executive fees were no longer competitive.

This has been addressed by above inflation increases in salaries for executive directors and fees for non executive directors.

Specifically, the Committee concluded that:

- A revision to the basic salary levels from 1 April 2016 would ensure that executive director salaries and non executive director fees are now competitive. In line with the Directors' Remuneration Policy, the Committee considered that exceptional circumstances existed to justify an increase in basic salary which was above that of the general increase for the wider workforce. It should be noted that even following the increase executive and non-executive salaries remain in the lower quartile of the peer company comparison group.

- The structure and quantum of the annual bonus continues to be appropriate and aligned to shareholders' interests. For 2017 the proportion of the annual bonus potential to be measured against individual performance targets remains at 25%; and

- The long-term incentive grant policy, whereby conditional awards of shares are granted annually under the Carclo PSP with vesting after three years based on earnings per share and relative total shareholder return performance conditions, continues to provide a strong alignment between the senior executive team and shareholders.

Alignment with shareholders

We are mindful of our shareholders' interests and are keen to ensure a demonstrable link between reward and value creation. In addition to the matters set out in this report, alignment and shareholder interest is further demonstrated by the operation of share ownership guidelines and the inclusion of clawback and malus provisions for both annual bonus and LTIP awards.

We acknowledge the support we have received in the past from our shareholders and hope that we will continue to receive your support at the forthcoming AGM.

Robert Rickman
Chairman of the Remuneration Committee
7 June 2016

Compliance Statement

This Report has been prepared in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Listing Authority Listing Rules and applies the principles set out in the UK Code on Corporate Governance (the "Code").

The following parts of the Annual Report on Remuneration Report are audited: the single total figure of remuneration for directors, including annual bonus and LTIP outcomes for the financial year ending 31 March 2016; scheme interests awarded during the year; and, directors' shareholdings and share interests.

Remuneration payments and payments for loss of office can only be made to directors if they are consistent with the approved Directors' Remuneration Policy or otherwise approved by ordinary resolution of the company's shareholders.

Directors' Remuneration Policy (restated from 2014)

Consistent with legislation, the Directors Remuneration Policy Report, the policy which will operate from 1 April 2014, was put to a binding shareholder vote and became formally effective at the 2014 AGM.

directors' remuneration report CONTINUED

Policy table

The Policy Table below summarises the key components of remuneration for executive directors:

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
SALARY	To provide an appropriate, competitive level of basic fixed income avoiding excessive risk arising from over reliance on variable income To attract and retain executive directors of superior calibre in order to deliver business growth Reflects individual skills and experience and role	Reviewed annually by the Remuneration Committee, normally effective 1 April Takes periodic account of similar roles at companies with similar characteristics and sector comparators, individual experience and performance, company performance and wider pay levels and salary increases across the group	No prescribed maximum annual increase, but will normally be in line with general increase for the wider workforce In exceptional circumstances, the Committee may decide to award a lower increase for executive directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account of relevant market movements.	N/A
OTHER BENEFITS	Provides market competitive benefits Provides insured benefits to support the individual and their family during periods of ill health, accident or death	Benefits provided through third party providers Includes car allowance, life insurance, private medical insurance and permanent disability insurance. Other benefits may be provided where appropriate	Benefits may vary by role and individual circumstance and are reviewed periodically. Benefits have not exceeded 10% of salary in the last 3 financial years and are not anticipated to exceed this over the next three financial years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Company's control have materially changed (e.g. increases in medical premiums)	N/A
BONUS	Incentivises annual delivery of short-term financial and strategic goals and business strategy Maximum bonus only payable for achieving demanding targets	Performance measures, targets and weightings are set at the start of the year. Payments are calculated based on an assessment of performance at the end of the year. Paid in cash Not pensionable Clawback and malus provisions apply in the event of material misstatement of results and/or an error in the calculation of the bonus outcome	100% of salary CEO 75% of salary FD	Performance is assessed on an annual basis by reference to financial measures as well as the achievement of personal/ strategic objectives. The current financial performance measure is Underlying Profit, however the Committee has discretion to adjust the performance measures and weightings each year according to strategic priorities, although the weighting on financial measures will be at least 50%. The bonus for personal/strategic performance is payable only if, in the opinion of the Remuneration Committee, there was an improvement in the underlying financial and operational performance of the Group during that financial year. The Committee has discretion to adjust the formulaic outcomes to ensure that payments accurately reflect business performance over the performance period. Adjustments may be upwards or downwards.
LONG TERM INCENTIVE PLAN	To motivate and retain executives, reward delivery of the Company strategy and long-term goals and to help align executive and shareholder interests Aligned to main strategic objectives of delivering sustainable profit growth and shareholder return	Annual grant of nil cost options or performance shares which normally vest after at least 3 years subject to continued service and performance targets. At the start of each performance cycle, the Committee sets performance targets which it considers to be appropriately stretching. Clawback and malus provisions apply in the event of material misstatement of results and/or an error in the calculation of the vesting outcome	100% of salary normal limit 200% of salary exceptional limit - e.g., recruitment or retention	LTIP performance measured over three years. Performance measures are currently EPS and TSR weighted equally, however the Committee has discretion to adjust the performance measures and weightings to ensure they continue to be linked to the delivery of Company strategy. The Committee has discretion to adjust the formulaic outcomes to ensure that payments accurately reflect business performance over the performance period. Adjustments may be upwards or downwards.
PENSION	Provides market competitive retirement benefits Opportunity for executives to contribute to their own retirement plan	Executive Directors receive a contribution to HMRC approved personal pension arrangement or a salary supplement in lieu of pension contributions	The maximum employer contribution is 20% of salary	N/A
SHARE OWNERSHIP GUIDELINES	To provide alignment between executives and shareholders	Executive directors are required to build and maintain a shareholding equivalent to one year's base salary through the retention of vested share awards or through open market purchases until the guideline is met	100% of salary holding for executive directors	N/A
NON EXECUTIVE DIRECTORS FEES	Reflects time commitments and responsibilities of each role Reflects market competitive fees	Reviewed annually by the Remuneration Committee, normally effective 1 April. Chairman and Non-Executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-Executive Directors for additional services such as chairing the audit and remuneration committees. Fee levels are benchmarked with reference to sector comparators and FTSE-listed companies of similar size and complexity. The required time commitment and responsibilities are taken into account when reviewing fee levels. All fees are paid in cash.	No prescribed maximum annual increase, but it is expected that fee increases will normally be in line with general increase for the wider workforce. However, in the event that there is a material misalignment with the market or change in complexity, responsibility or time commitment required to fulfil a non-executive director role, the Board has discretion to make an appropriate adjustment to the fee level	Non-executive directors do not participate in variable pay arrangements

Notes to the policy table

A description of how the company intends to implement the policy set out in this table for 2017 is set out in the Annual Report on Remuneration on page 51.

Performance measurement selection

The choice of the performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of profit growth and specific individual objectives.

The TSR and EPS performance conditions applicable to the Carclo PSP (further details of which are provided on page 52) were selected by the Remuneration Committee on the basis that they reward the delivery of long term returns to shareholders and the group's financial growth and are consistent with the company's objective of delivering superior levels of long term value to shareholders.

The Committee operates share plans in accordance with their respective rules and in accordance with the Listing Rules and HMRC where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans.

As highlighted above, the company has a share ownership policy which requires the executive directors to build up and maintain a target holding equal to 100% of base salary. Details of the extent to which the executive directors had complied with this policy as at 31 March 2016 are set out on page 55.

Payments from existing awards

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the company to honour any commitments entered into with current or former directors (such as the payment of a pension or the vesting/exercise of past share awards). Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration policy for other employees

The following differences exist between the company's policy for the remuneration of executive directors as set out above and its approach to the payment of employees generally:

i) A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive directors and certain senior executives.
ii) Benefits offered to other employees generally comprise provision of healthcare and company car benefits where required for the role or to meet market norms.
iii) The majority of employees participate in local defined contribution pension arrangements.
iv) Participation in Carclo PSP is limited to the executive directors and certain selected senior managers.

In general these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive directors and senior executives, a greater emphasis tends to be placed on performance related pay.

directors’ remuneration report CONTINUED

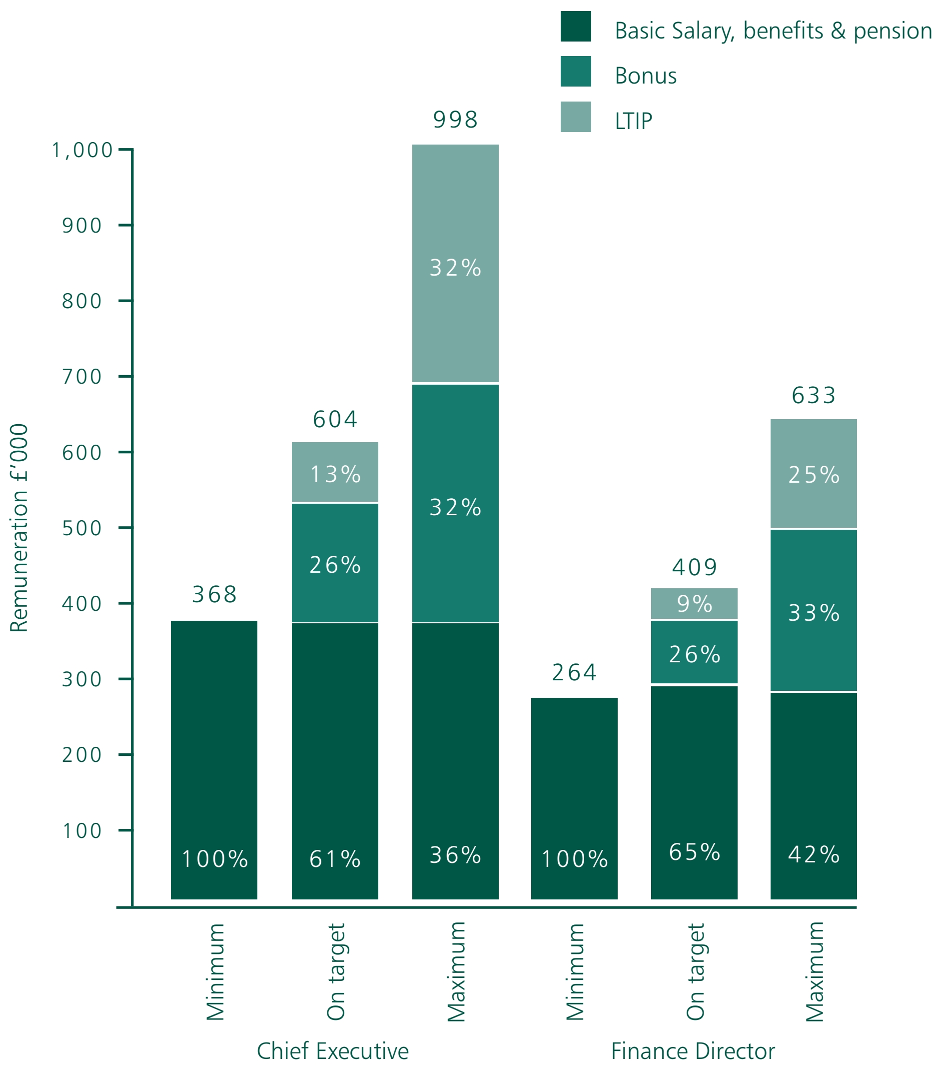
Remuneration Policy for the chairman and non executive directors

The board determines the remuneration policy and level of fees for the non-executive directors, within the limits set out in the Articles of Association. The Remuneration Committee recommends the remuneration policy and level of fees for the chairman.

The Policy Table summarises the key components of remuneration for the chairman and non-executive directors.

Pay scenario charts

The graphs below provide estimates of the potential future reward opportunity for each of the two current executive directors, and the potential split between different elements of remuneration under three different scenarios; “Minimum”, “On Target” and “Maximum” performance.



Assumptions underlying each element of pay are provided in the table below. The projected value of the Carclo PSP excludes the impact of share price growth and dividend accrual. Actual pay delivered, however, will be influenced by these factors.

Minimum	Fixed pay comprising base salary, benefits and pension Base salary is the current base salary effective 1 April 2016 Benefits measured as paid in 2016 as set out in the single figure table Pension entitlement measured as 20% of base salary subject to £40,000 cap

	Base salary	Benefits	Pension	Total fixed
Name	£'000	£'000	£'000	£'000
CJ Malley	315	13	40	368
RJ Brooksbank	211	13	40	264

On target	Based on remuneration if performance was in line with expectations Annual performance bonus 50% of maximum – i.e CJ Malley 50%, RJ Brooksbank 37.5% of base salary LTIP consists of threshold PSP vesting (25% for both TSR and EPS performance measures)

Maximum	Based on maximum remuneration receivable Annual performance bonus 100% of maximum - i.e., CJ Malley 100%, RJ Brooksbank 75% of base salary LTIP assumes maximum PSP vesting (100% for both TSR and EPS performance measures)

Approach to recruitment remuneration

The remuneration package for a new executive director – i.e., basic salary, benefits, pension, annual bonus and long term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual. The salary for a new executive may be set below the normal market rate, with phased increases over the first few years, as the executive gains experience in their new role. Annual bonus potential will be limited to 100% of salary and long term incentives will be limited to 100% of salary (200% of salary in exceptional circumstances).

In addition to normal remuneration elements, the Committee may offer additional cash and/or share based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer ('buyout' awards) and would be made on a like-for-like basis, where possible reflecting the nature, time horizons, performance requirements attaching to that remuneration and the likelihood of those conditions being met. Any such 'buy-out' awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited. Shareholders will be informed of any such payments at the time of appointment.

directors' remuneration report CONTINUED

For an internal executive director appointment, the Remuneration Committee will be consistent with the Policy for external appointees detailed above. Any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

For external and internal appointments, the Committee may agree that the company will meet certain relocation and/or incidental expenses as appropriate.

In the case of hiring or appointing a new non executive director, the Committee follows the policy as set out in the table on page 42. A base fee in line with the prevailing fee schedule would be payable for board membership, with additional fees payable for additional services, such as chairing a board committee.

External appointments

The executive directors may accept outside appointments, with prior board approval, provided these opportunities do not negatively impact on the individual's ability to perform his duties at the company. Whether any related fees are retained by the individual or are remitted to the company will be considered on a case by case basis. R J Brooksbank was appointed a non executive director of blur Group plc on 24 July 2012, until leaving as of 30 June 2015. With the agreement of the board, he retained fees for this work of £5,000 during the financial year.

Service contracts

The executive directors are employed under contracts of employment with Carclo. The principal terms of the executive directors' service contracts are as follows:

Executive director	Position	Effective date of contract	Notice period from company	Notice period from director
C J Malley	Chief executive	27 March 2013	12 months	12 months
R J Brooksbank	Finance director	1 April 2004	12 months	12 months

Non-executive directors are appointed under arrangements that may generally be terminated at will by either party without compensation and their appointment is reviewed annually.

Letters of appointment are provided to the chairman and non-executive directors. Non-executive directors have letters of appointment effective for a period of three years and are subject to annual re-election at the AGM.

Directors' letters of appointment and the unexpired period of their appointments (where appropriate after extension by re-election) are set out below:

Non executive director	Date of letter	Unexpired term as at 31 March 2014	Date of appointment	Last reappointment at AGM
M Derbyshire	9 September 2015	To 2018 AGM	1 January 2006	3 September 2015
R Rickman	9 September 2015	To 2018 AGM	1 July 2012	3 September 2015
P Slabbert	1 April 2015	To 2018 AGM	1 April 2015	3 September 2015
D Toohey	1 April 2015	To 2018 AGM	1 April 2015	3 September 2015

Exit payment policy

The company's policy is to limit any payment made to a departing director to contractual arrangements and to honour any pre-established commitments. As part of this process, the Committee will take into consideration the executive director's duty to mitigate their loss.

Annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal pay out date. Any share based entitlements granted to an executive director under the company's share plans will be determined based on the relevant plan rules. The default treatment under the 2007 PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on cessation, subject to the satisfaction of the relevant performance conditions at that time and reduced pro rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at a later date and/or to dis-apply time pro rating.

Consideration of conditions elsewhere in the company

In making remuneration decisions, the Committee also considers the pay and employment conditions elsewhere in the company. In particular, the Committee considers the range of base pay increases across the company as a factor in determining the base salary increases for executive directors. Further, the Committee regularly reviews information with regard to bonus payments and share awards made to senior management. In particular, the Committee reviews the remuneration structure and pay proposals, and approves the structure and targets for their bonus plans. It also oversees any major changes in employee benefit structures.

The Committee does not specifically consult with employees over the effectiveness and appropriateness of the remuneration Policy and framework, although as members of the board the Committee receives updates from the executive directors on their discussions and consultations with employees.

Consideration of shareholder views

The Committee is sensitive to the views of shareholders and intends to engage regularly with its investors on developments in remuneration policy and practice.
The Committee welcomes shareholder feedback on any issue related to directors' remuneration and will take into account all feedback received from the AGM to ensure that the directors' remuneration policy remains appropriate.

annual report on remuneration

Implementation of remuneration policy for the year ended 31 March 2016

The following section provides details of how Carclo's remuneration policy was implemented during the financial year ending 31 March 2016.

Remuneration Committee membership in 2016

The Remuneration Committee comprises of RJ Rickman, P Slabbert, D Toohey and MJC Derbyshire and is chaired by RJ Rickman. The Committee met three times during the financial year ended 31 March 2016 and individual Committee members attended all meetings held during the year under review other than D Toohey who attended two of the three.

During the year, the Committee sought internal support from the chief executive who attended Committee meetings by invitation from the chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers. The chief executive and finance director were not present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as secretary to the Committee.

Independent Advice

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. During the year ended 31 March 2016 the Committee consulted Kepler Associates ("Kepler") to provide advice regarding executive remuneration benchmarking. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. The Committee takes due diligence periodically to ensure that its advisors remain independent and that the advice provided is impartial and objective.

The total fees charged by Kepler for their services during the year were £4,000. Kepler provided no other services to the group.

The Committee retains the responsibility for the appointment of remuneration advisers and their associated fees. Kepler acts for the Committee and the Group and takes instruction through the Company Secretary.

Summary of shareholder voting at the 2015 AGM

The following table shows the results of the shareholder vote on the 2015 Remuneration Report at the 2015 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	34,819,783	98.0
Against	711,908	2.0
Total votes cast (excluding withheld votes)	35,531,691	100.00
Votes withheld	3,167,113	
Total votes cast (including withheld votes)	38,698,804	

Summary of shareholder approval of the Remuneration Policy

The following table shows the results of the shareholder vote on Remuneration Policy at the 2014 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	28,151,734	96.7
Against	964,163	3.3
Total votes cast (excluding withheld votes)	29,115,897	100.00
Votes withheld	482,107	
Total votes cast (including withheld votes)	29,598,004	

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 March 2016 and the prior year:

	Salary		Benefits (1)		Annual Bonus		LTIP		Pension (2)		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Name	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CJ Malley	289	283	13	13	61	202	59	-	40	40	462	538
RJ Brooksbank	194	190	13	13	26	100	26	-	39	38	298	341

Notes

(1) Benefits comprise private medical cover and car allowance

(2) Pension contributions are in line with Remuneration Policy

(3) Details of the performance measures applicable to the annual bonus for 2016 are set out below

(4) Details of the performance measures applicable to the vesting of long term incentive awards are set out below

Single total figure of remuneration for non-executive directors (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 March 2016 and the prior year:

	Base fee £		Committee fees £		Total £	
Non Executive Director	2016	2015	2016	2015	2016	2015
MJC Derbyshire	79,764	78,200	-	-	79,764	78,200
W Tame	-	32,100	-	5,400	-	37,500
RJ Rickman	32,750	32,100	5,500	5,400	38,250	37,500
P Slabbert	32,750	-	5,500	-	38,250	-
D Toohey	32,750	-	-	-	32,750	-

Notes

(1) MJC Derbyshire appointed chairman from 6 September 2012.

(2) P Slabbert and D Toohey appointed non executive directors from 1 April 2015. Their fees are paid in line with the Remuneration Policy for non executive directors

annual report on remuneration CONTINUED

Incentive outcomes for the year ended 31 March 2016 (audited)

Variable pay

Annual performance bonus outcome 2016

	Outcome % Salary			Maximum Potential % Salary		
Name	Financial	Strategic	Payable	Financial	Strategic	Payable
CJ Malley	0.00	21.00%	21.00%	75.00	25.00	100
RJ Brooksbank	0.00	13.50%	13.50%	56.25	18.75	75

The detailed financial performance targets applicable to the 2016 annual bonus arrangements are considered commercially sensitive in respect of underlying group profit levels and accordingly will be disclosed in the Directors Remuneration Report for the year ended 31 March 2017.
The detailed financial performance targets applicable to the 2015 annual bonus arrangements are as follows:
To achieve a minimum payment under the financial performance targets the group was required to achieve an underlying pre-tax operating profit of £7.1 million when adjusted for IAS 19 pension charges and to achieve a maximum payment the group was required to achieve a an underlying pre-tax operating profit of £8.1 million on the same basis. The actual performance achieved against these targets was £8.0 million and consequently a payment of 91.45% of maximum was achieved. As discussed in the 2015 Directors Remuneration Report, the Remuneration Committee took the decision to restrict the payment in respect of the financial portion to 70% of the maximum payable in the light of the impairment to the tangible and intangible assets of CIT.

2013/14 LTIP vesting

The LTIP award granted on 12 July 2013 was based on performance to the year ended 31 March 2016.
The performance targets for this award, and actual performance against those targets, were as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% Vesting
Earnings per share	Normalised EPS growth of RPI+ 5% pa (12.5% vesting) to RPI+12% pa (50% vesting) over three financial years	8.74p EPS	10.27p EPS	10.62p EPS	100%
Total Shareholder Return	TSR against the constituents of the FTSE Small Cap Index (excluding investment trusts). 12.5% vesting for median performance and 50% vesting for upper quartile performance or above. TSR measured over three financial years with a three month average at the start and end of the performance period	34.46% TSR	68.67% TSR	(68.6%) TSR	0%
			Total Vesting		50%

There is therefore 50% vesting for the 2013 award as follows:

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Estimated value (£)
CJ Malley	79,000	39,500	39,500	59,250
RJ Brooksbank	34,000	17,000	17,000	25,500

Scheme interests awarded in the year ended 31 March 2016 (audited)
2015/16 LTIP

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Face value at date of award
CJ Malley	13 July 2015	197,000	148p	£287,620
RJ Brooksbank	13 July 2015	92,000	148p	£134,320

The awards measured performance on the following basis:

Consistent with past awards, the extent to which awards granted in the year ending 31 March 2016 will vest will be dependent on two independent performance conditions with 50% determined by reference to the company's total shareholder return ("TSR") and 50% determined by reference to the group's earnings per share ("EPS"), as follows:

- The TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE Small Cap Index excluding investment trusts at the beginning of that period. This element of the award is reduced to 25% on a pro rata basis for median performance and is reduced to nil for below median performance; and
- The EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three year period. This element of the award is reduced to 25% on a pro rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

Implementation of remuneration policy for the year ending 31 March 2017

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2017 is set out below:

Basic salary

As reported in the Annual Statement on page 47 the Remuneration Committee agreed to increase executive directors' base salary levels as follows:

Name	2016	2015	% increase
CJ Malley	£314,917	£288,915	9.0
R J Brooksbank	£211,242	£193,800	9.0

The group's employees are, in general, receiving pay rises ranging from 2.0% to 5.0% depending on promotional increases and individual performance.

Pension arrangements

A salary supplement in lieu of pension contributions will be paid to C Malley and RJ Brooksbank, calculated at 20% of salary and limited to a maximum of £40,000.

Annual bonus

The maximum bonus potential for the year ending 31 March 2017 will remain at 100% of salary for the chief executive and 75% of basic salary for the finance director. Awards are determined based on a combination of both the group's financial results and personal achievements. A maximum of 75% of the bonus will based on growth in group underlying profit before tax, with a threshold vesting of 25% of maximum achievable. A maximum of 25% will be based on each executive's personal performance achievement level with a threshold vesting of 20% of maximum achievable. Maximum bonus will only be payable when both the financial results of the group and the executive's individual performance against objectives have significantly exceeded expectations. A bonus will be payable only if, in the opinion of the Remuneration Committee, there is an improvement in the underlying financial and operating performance of the group during the year ending 31 March 2017. Clawback and malus provisions for all executive directors will apply.

Proposed target levels have been set to be challenging relative to the 2017 business plan, although specific targets are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time the Committee believes that disclosure of targets within 2 years of the determination of bonuses is appropriate as disclosed above.

annual report on remuneration CONTINUED

Long term incentives

Consistent with past awards, the extent to which LTIP awards which will be granted in the year ending 31 March 2017 will vest will be dependent on two independent performance conditions with 50% determined by reference to the company's total shareholder return ("TSR") and 50% determined by reference to the group's earnings per share ("EPS"), as follows:

- The TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE Small Cap Index excluding investment trusts at the beginning of that period. This element of the award is reduced to 25% on a pro rata basis for median performance and is reduced to nil for below median performance; and
- The EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three year period. This element of the award is reduced to 25% on a pro rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

The Chief Executive will receive a grant of 100% of salary and the Finance Director 70%. These grants are in line with previous years.

As set out in the Directors' Remuneration Policy, awards will be subject to clawback and malus provisions.

Chairman and non executive directors

The Company's approach to non executive directors' remuneration is set by the board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of board Committees. A summary of current fees is shown in the table below.

In line with the review of the executive director salaries a review of non-executive fees against peer company comparisons was performed by the Company Secretary and it was noted that they had also fallen below lower quartile comparisons and consequently they were increased in line with the executive salaries. It should be noted that they still remain lower quartile. Fee increases were awarded for the 2016/17 financial year as follows:

Provision	2017	2016	% increase
Chairman	£86,943	£79,764	9.0
Base fee	£35,698	£32,750	9.0
Committee Chair fees	£ 5,995	£ 5,500	9.0
Total non-executive directors	£41,693	£38,250	9.0

Percentage change in chief executive remuneration

The table below shows the percentage change in the chief executive's salary, benefits and annual bonus between the financial year ended 31 March 2015 and 31 March 2016 compared to that of the total amounts for all UK employees of the group for each of these elements of pay.

	2016	2015	% change	
	£'000	£'000		
Salary Chief executive UK employee average	 289 25	 283 28	 2.1 (10.7)	
Benefits Chief executive UK employee average	 13 1	 13 1	 - -	
Annual bonus Chief executive UK employee average	 61 1	 202 1	 (69.3) -	Note 1
Average number of UK employees	498	479	4.0	

UK employees have been selected as the most appropriate comparator pool, given the largest number of group employees and our headquarters are located in the UK.

Note 1: Total annual bonus awards under the group's short term incentive scheme decreased from £450k to £364k for UK participants

Relative importance of spend on pay

The table below shows the Company's actual expenditure on pay (for all employees) relative to dividends, and retained profits for the financial years ending 31 March 2015 and ending 31 March 2016

	2016	2015	% change
	£'000	£'000	
Staff costs	30,160	28,850	4.5
Dividends	1,821	1,752	3.9
Retained (loss) / profit	2,187	(22,773)	109.6
Number of Employees	1,340	1,172	14.3

The dividends figures relate to amounts payable in respect of the relevant financial year. 2016 includes a proposed final dividend of 1.95p.

annual report on remuneration CONTINUED

Paid for performance

The graph below compares the value of £100 invested in Carclo shares, including re-invested dividends, with the FTSE Small Cap index over the last seven years. This index was selected because it is considered to be the most appropriate against which the total shareholder return of Carclo should be measured.

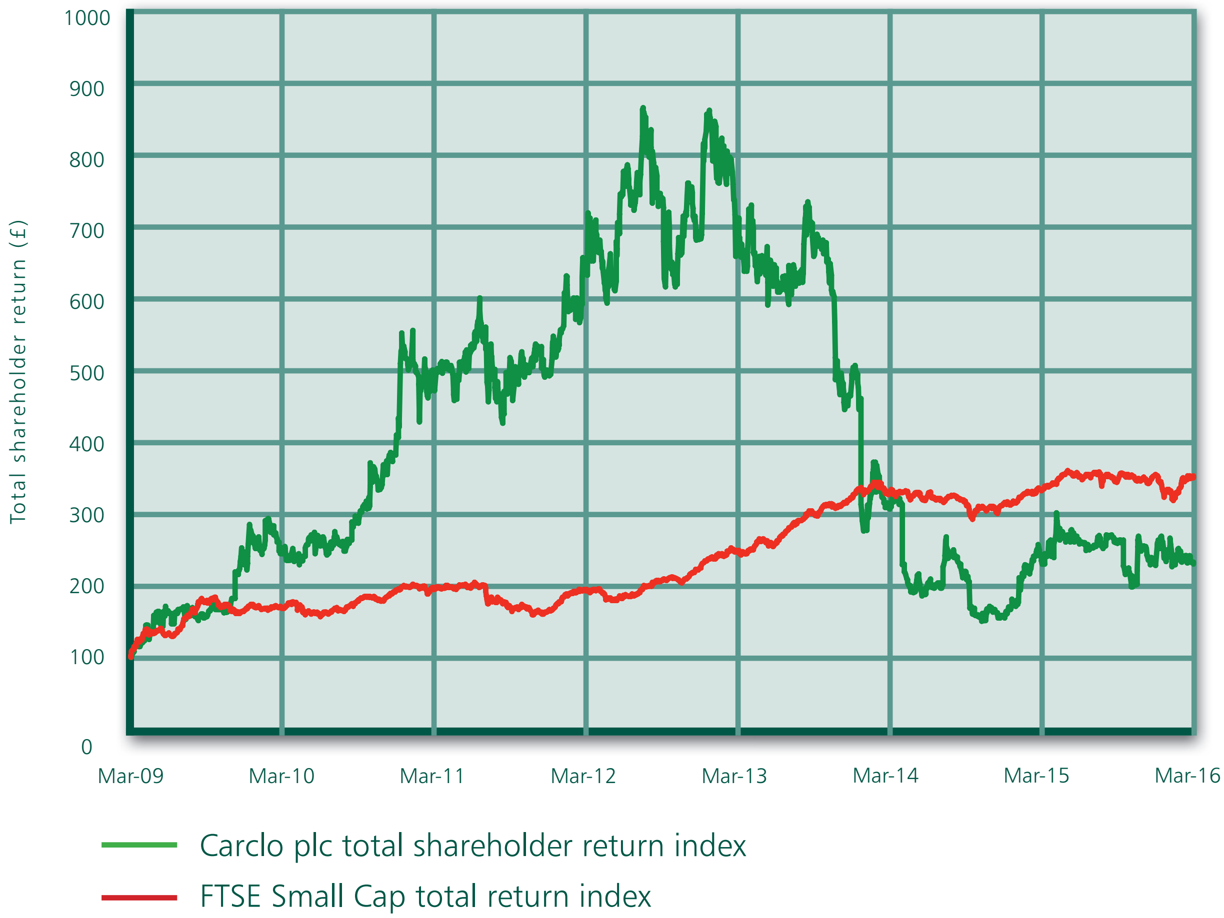


Table of historic data (chief executive)

	2010	2011	2012	2013	2014	2015	2016
Chief executive single figure of remuneration (£000)	433	491	249	2,764	328	538	462
Annual bonus payout (as % of maximum)	-	-	-	-	-	71.25	21
LTIP vesting (as % of maximum)	50	50	50	100	-	-	50

Figures for 2010 to 2013 relate to I Williamson who was succeeded as chief executive by CJ Malley on 27 March 2013

Directors’ interests (audited)

The interests of the directors and their families in the ordinary shares of the Company as at 31 March 2016 were as follows:

	31 March 2016		31 March 2015	
	Ordinary shares	Options	Ordinary shares	Options
CJ Malley	73,385	-	43,385	-
RJ Brooksbank	236,555	-	236,555	-
MJC Derbyshire	60,000	-	50,000	-
RJ Rickman	5,300	-	5,300	-
P Slabbert	-	-	-	-
D Toohey	-	-	-	-

i) There have been no changes in the directors’ interests since the year end.

Directors’ shareholding (audited)

The table below shows the shareholding of each director against their respective shareholding requirement as at 31 March 2016:

	Shares held					
Director	Owned outright or vested	Vested but subject to holding period	Unvested and subject to performance conditions	Shareholding requirement (% salary)	Current shareholding (% salary)	Prior year shareholding (% salary)
CJ Malley	73,385	-	437,000	100	35	21
RJ Brooksbank	236,555	-	204,000	100	168	171

CJ Malley has increased his shareholding in the year and reaffirmed his commitment to increasing his shareholding towards the required level.

annual report on remuneration CONTINUED

Directors' interests in shares in Carclo long-term incentive plans (audited)

Directors' share awards under the Carclo PSP (audited)

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

Director and year of award	At 1 April 2014	Granted	Vested	Lapsed	At 31 March 2015	Market value per share at date of award £	Determination Date
CJ Malley							
PSP 2013	79,000	-	(39,500)	(39,500)	-	3.52	15.7.16
PSP 2014	240,000	-	-	-	240,000	1.1375	10.7.17
PSP 2015	-	**197,000**	-	-	**197,000**	**1.45**	**12.7.18**
RJ Brooksbank							
PSP 2013	34,000	-	(17,00)	(17,00)	-	3.52	15.7.16
PSP 2014	112,000	-	-	-	112,000	1.1375	10.7.17
PSP 2015	-	**92,000**	-	-	**92,000**	**1.45**	**12.7.18**

responsibility statement of the directors in respect of the annual report

Directors' responsibilities for the preparation of the annual report and the financial statements

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, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements 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 Strategic Report, 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.

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

By order of the board

Chris Malley
Chief Executive

Robert Brooksbank
Finance Director

7 June 2016

Independent auditor's report to the members of Carclo plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Carclo plc for the year ended 31 March 2016 set out on pages 60 to 106. 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 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS101 Reduced Disclosure Framework; and
- 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.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows (unchanged from 2015).

Carrying value of Carclo Diagnostic Solutions patent and development costs £nil (2015 - £3,692,000). Risk vs 2015 reduced.

Refer to page 39 (Audit Committee Report), page 66 to 67 and 69 (accounting policy) and pages 81 and 95 (financial disclosures).

The risk

- The group has conducted a significant level of technology development activity within the Carclo Diagnostics Solutions business areas in prior periods and during the current year. Patent and development costs are capitalised if they meet the criteria as laid down in the relevant accounting standard. These include, among others, an assessment of the future out-turn of the development activity which includes the technical feasibility and how the patents and development costs will generate probable future economic benefits. Once these criteria are met the eligible patent and development costs are required to be capitalised. There is judgement involved in both determining when the criteria are met and in identifying the relevant costs to be capitalised, which include accurately capturing time and cost information for the development activity and whether the criteria continues to be met for ongoing projects.

- Patents and development costs capitalised are tested for impairment in accordance with the relevant accounting standard. The group performed a review of the potential strategic options and funding options for Carclo Diagnostic Solutions during the current year. The review did not identify a credible strategic option to take the project forward or a possibility that new investors would be found and as such it concluded that the group should discontinue its investment. The Carclo Diagnostic Solutions development asset at that time of £4,858,000 has been fully written off.

Our response

Our audit procedures included:

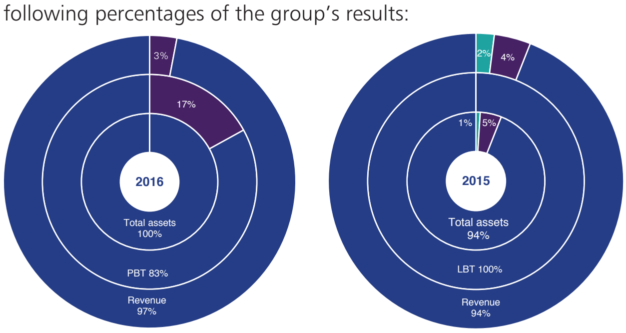
- For the period in which costs continued to be capitalised we challenged the group and third party assessments in force in respect of technical feasibility and probable future economic benefit of the project.
- In assessing whether appropriate costs had been capitalised we agreed a sample of the specific development costs capitalised to supporting documentation and considered whether the costs met the criteria for being capitalised.
- We challenged the group as to the basis of and appropriateness of the timing of the decision that costs would cease to be capitalised and an impairment write down would be recognised.
- We have also considered the adequacy of the group's disclosures in respect of patents and development costs and the associated impairment.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £400,000 (2015: £500,000), determined with reference to a benchmark of group profit before taxation, normalized to exclude this year's exceptional costs as disclosed in note 5, of £8,752,000 (2015: £7,123,000), of which it represents 4.6% (2015: 7.0%). The reduction in materiality as a percentage of normalised profit before tax is as result of a reassessment performed during the year to reflect the industry consensus approach.

We reported to the audit committee any corrected or uncorrected identified misstatements exceeding £20,000 (2015: £25,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The components within the scope of our work accounted for the following percentages of the group's results:



Audits for group reporting purposes
Specified risk-focused audit procedures
Analysis at aggregated group level

The components for which we performed specified risk-focused audit procedures were not individually financial significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.
The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group team approved the component materialities, which ranged from £150,000 to £380,000 (2015: £150,000 to £450,000), having regard to the mix of size and risk profile of the group across the components. The work on 4 of the 10 components (2015: 4 of the 9 components) was performed by component auditors and the rest by the group team.
Telephone conference meetings were held with these component auditors. At these meetings, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' Viability Statement on page 24, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the 5 years to 2021; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 70 and 24, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on pages 34 and 36 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 57, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

John Pass (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Leeds
LS1 4DA

7 June 2016

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH

	Notes	2016 £000	2015 £000
Revenue	2	**118,974**	107,503
Underlying operating profit			
Operating profit before exceptional items		**10,034**	7,789
– rationalisation costs	5	**65**	(3,351)
– litigation costs	5	**(64)**	(111)
– impairment of Carclo Diagnostic Solutions	5	**(4,858)**	-
– impairment of CIT Technology	5	**-**	(25,371)
– impairment of Platform Diagnostics	5	**-**	(2,835)
After exceptional items		**5,177**	(23,879)
Operating profit / (loss)	2	**5,177**	(23,879)
Finance revenue	6	**17**	64
Finance expense	6	**(1,299)**	(730)
Profit / (loss) before tax	7	**3,895**	(24,545)
Income tax (expense) / credit		**(1,708)**	1,772
Profit / (loss) after tax		**2,187**	(22,773)
Attributable to –			
Equity holders of the parent		**2,200**	(21,942)
Non-controlling interests		**(13)**	(831)
		2,187	(22,773)
Earnings per ordinary share	8		
Basic		**3.3p**	(33.2)p
Diluted		**3.3p**	(33.2)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH

	2016 £000	2015 £000
Profit / (loss) for the period	**2,187**	(22,773)
Other comprehensive income -		
Items that will not be reclassified to the income statement		
Remeasurement losses on defined benefit scheme	**(11,846)**	(13,443)
Deferred tax arising	**1,647**	2,689
Total items that will not be reclassified to the income statement	**(10,199)**	(10,754)
Items that are or may in the future be classified to the income statement		
Foreign exchange translation differences	**1,489**	1,501
Deferred taxation arising	**(924)**	-
Total items that are or or may in future be classified to the income statement	**565**	1,501
Other comprehensive income, net of income tax	**(9,634)**	(9,253)
Total comprehensive income for the period	**(7,447)**	(32,026)
Attributable to		
Equity holders of the parent	**(7,434)**	(31,195)
Non-controlling interests	**(13)**	(831)
Total comprehensive income for the period	**(7,447)**	(32,026)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Notes	2016 £000	2015 £000
Assets			
Intangible assets	10	**20,257**	26,000
Property, plant and equipment	11	**36,597**	31,721
Investments	12	**7**	7
Deferred tax assets	18	**9,799**	8,337
Total non current assets		**66,660**	66,065
Inventories	13	**15,596**	13,440
Trade and other receivables	14	**26,647**	24,367
Cash and cash deposits	15	**16,692**	10,855
Non current assets classified as held for sale	16	**700**	700
Total current assets		**59,635**	49,362
Total assets		**126,295**	115,427
Liabilities			
Interest bearing loans and borrowings	17	**30,746**	29,660
Deferred tax liabilities	18	**6,038**	4,768
Retirement benefit obligations	19	**23,216**	12,131
Total non current liabilities		**60,000**	46,559
Trade and other payables	21	**20,192**	17,219
Current tax liabilities		**1,920**	2,380
Provisions	20	**620**	2,203
Interest bearing loans and borrowings	17	**10,696**	5,713
Total current liabilities		**33,428**	27,515
Total liabilities		**93,428**	74,074
Net assets		**32,867**	41,353
Equity			
Ordinary share capital issued	23	**3,311**	3,310
Share premium		**18**	-
Other reserves	24	**2,254**	2,254
Translation reserve	24	**3,832**	3,267
Retained earnings	24	**23,465**	32,522
Total equity attributable to equity holders of the parent		**32,880**	41,353
Non-controlling interests		**(13)**	-
Total equity		**32,867**	41,353

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

Michael Derbyshire
Robert Brooksbank } directors

7 June 2016

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	Non-controlling interests £000	Total equity £000
Balance at 1 April 2014	3,303	21,291	1,766	3,584	43,781	73,725	831	74,556
Loss for the period	-	-	-	-	(21,942)	(21,942)	(831)	(22,773)
Other comprehensive income -								
Foreign exchange translation differences	-	-	1,501	-	-	1,501	-	1,501
Remeasurement losses on defined benefit scheme	-	-	-	-	(13,443)	(13,443)	-	(13,443)
Taxation on items above	-	-	-	-	2,689	2,689	-	2,689
Total comprehensive income for the period	-	-	1,501	-	(32,696)	(31,195)	(831)	(32,026)
Transactions with owners recorded directly in equity -								
Share based payments	-	-	-	-	330	330	-	330
Dividends to shareholders	-	-	-	-	(1,752)	(1,752)	-	(1,752)
Exercise of share options	7	97	-	-	-	104	-	104
Capital reduction	-	(21,388)	-	(1,330)	22,718	-	-	-
Taxation on items recorded directly in equity	-	-	-	-	141	141	-	141
Balance at 31 March 2015	3,310	-	3,267	2,254	32,522	41,353	-	41,353
Balance at 1 April 2015	**3,310**	**-**	**3,267**	**2,254**	**32,522**	**41,353**	**-**	**41,353**
Profit for the period	**-**	**-**	**-**	**-**	**2,200**	**2,200**	**(13)**	**2,187**
Other comprehensive income -								
Foreign exchange translation differences	**-**	**-**	**1,489**	**-**	**-**	**1,489**	**-**	**1,489**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**-**	**(11,846)**	**(11,846)**	**-**	**(11,846)**
Taxation on items above	**-**	**-**	**(924)**	**-**	**1,647**	**723**	**-**	**723**
Total comprehensive income for the period	**-**	**-**	**565**	**-**	**(7,999)**	**(7,434)**	**(13)**	**(7,447)**
Transactions with owners recorded directly in equity -								
Share based payments	**-**	**-**	**-**	**-**	**471**	**471**	**-**	**471**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(1,821)**	**(1,821)**	**-**	**(1,821)**
Exercise of share options	**1**	**18**	**-**	**-**	**-**	**19**	**-**	**19**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**-**	**292**	**292**	**-**	**292**
Balance at 31 March 2016	**3,311**	**18**	**3,832**	**2,254**	**23,465**	**32,880**	**(13)**	**32,867**

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH

	Notes	2016 £000	2015 £000
Cash generated from operations	26	**13,933**	3,549
Interest paid		**(877)**	(650)
Tax paid		**(1,253)**	(712)
Net cash from operating activities		**11,803**	2,187
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**207**	43
Interest received		**16**	30
Acquisition of property, plant and equipment		**(8,274)**	(6,543)
Acquisition of intangible assets – computer software		**(140)**	(96)
Development expenditure		**(1,386)**	(1,346)
Net cash from investing activities		**(9,577)**	(7,912)
Cash flows from financing activities			
Proceeds from exercise of share options		**20**	103
Drawings on term loan facilities		**400**	21,674
Repayment of borrowings		**-**	(9,633)
Dividends paid		**(1,821)**	(1,752)
Net cash from financing activities		**(1,401)**	10,392
Net increase in cash and cash equivalents		**825**	4,667
Cash and cash equivalents at beginning of period		**5,142**	(111)
Effect of exchange rate fluctuations on cash held		**29**	586
Cash and cash equivalents at end of period		**5,996**	5,142
Cash and cash equivalents comprise –			
Cash and cash deposits		**16,692**	10,855
Bank overdrafts		**(10,696)**	(5,713)
		5,996	5,142

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 98 to 106.

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 2015. 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 2015:

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19);

Annual Improvements to IFRSs 2010 - 2012 Cycle; and

Annual Improvements to IFRSs 2011 - 2013 Cycle.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting period beginning on or after 1 April 2016. The group has elected not to adopt early these standards which are described below:

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);

Equity Method in Separate Financial Statements (Amendments to IAS 27);

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);

Annual Improvements to IFRSs 2012 - 2014 Cycle; and

Disclosure Initiative (Amendments to IAS 1).

The above are not expected to have a material impact on the group's reported results.

IFRS 15 - "Revenue From Contracts With Customers" has been published which will be mandatory for the group's accounting period beginning on or after 1 April 2018. The group is still considering the impact of this standard however it is anticipated the impact on the financial position and performance of the group will not be material.

In addition, the IASB has indicated that it will issue a new standard on accounting for leases. Under the proposals, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The IASB also plans to issue a new standard on insurance contracts. The group will consider the financial impacts of this new standard when finalised.

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.

1 Accounting policies continued

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.

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally a fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transaction that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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.

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 accounting policy e) 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 10 years from the date upon which the patent or related development expenditure becomes available for use. 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% - 5.0%
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 material finance leases.

h) Borrowing costs

Borrowings are initially measured at fair value including any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate (EIR) method.

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.

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.

1 Accounting policies continued

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 functional currency 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 only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the note to the financial statements.

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 u).

Interest is recognised in the income statement as it accrues, using the effective interest method, unless it is directly attributable to the acquisition, construction or production of a qualifying asset in which case it is capitalised as part of the cost of that asset.

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.

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 or the statement of comprehensive income.

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.

1 Accounting policies continued

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 plan 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 19.

IFRIC 14 requires that where plan assets exceed the defined benefit obligation, an asset is recognised to the extent that an economic benefit is available to the group, in accordance with the terms of the plan and applicable statutory requirements and the benefit should be realisable during the life of the plan or on the settlement of the plan liabilities.

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

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.

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 impairment, rationalisation, one-off retirement benefit effects, litigation costs 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) Segment reporting

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

1 Accounting policies continued

z) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability to the extent that the effect of discounting is material.

aa) Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

ab) 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 12 to 17. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the finance director's review on pages 18 to 21. The directors' assesssment of the viability of the group is set out in the viability statement on page 24. 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.

At 31 March 2016 the group has multi-currency revolving loan facilities totalling £30.0 million with its UK bank. These facilities were renewed in March 2015 for five years to March 2020. The group meets its day to day working capital requirements through overdraft facilities totalling £10.9 million.

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.

2 Segment reporting

At 31 March 2016, 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 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 LED Technologies segment develops innovative solutions in LED lighting, and is a leader in the development of high power LED lighting for luxury cars and supercars.

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

The CIT Technology segment manages its portfolio of IP over the digital printing of conductive metals onto plastic substrates.

The Unallocated segment also includes the group's development companies, Platform Diagnostics Limited and Carclo Diagnostic Solutions, until these companies start to achieve income streams for the group.

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.

* The Aerospace segment was previously known as Precision Engineering.

2 Segment reporting continued

Analysis by business segment

The segment results for the year ended 31 March 2016 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	71,953	40,483	6,386	1,647	-	(1,495)	118,974
Less inter–segment revenue	(1,480)	(15)	-	-	-	1,495	-
Total external revenue	70,473	40,468	6,386	1,647	-	-	118,974
Expenses	(64,281)	(35,104)	(5,057)	(1,760)	(2,738)	-	(108,940)
Underlying operating profit	6,192	5,364	1,329	(113)	(2,738)	-	10,034
Impairment costs	-	-	-	-	(4,858)	-	(4,858)
Rationalisation costs	(412)	-	-	477	-	-	65
Litigation costs	-	-	-	-	(64)	-	(64)
Operating profit	5,780	5,364	1,329	364	(7,660)	-	5,177
Net finance expense							(1,282)
Income tax expense							(1,708)
Profit after tax							2,187

* The Aerospace segment was previously known as Precision Engineering

	Technical Plastics £000	LED Technologies £000	Aerospace* £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated statement of financial position							
Segment assets	80,509	30,300	6,645	1,588	7,253	-	126,295
Segment liabilities	(13,655)	(6,746)	(820)	(935)	(71,272)	-	(93,428)
Net assets	66,854	23,554	5,825	653	(64,019)	-	32,867
Other segmental information							
Capital expenditure on property, plant and equipment	6,996	1,206	29	-	5	-	8,236
Capital expenditure on computer software	82	34	-	-	24	-	140
Capital expenditure on other intangibles	-	-	-	-	1,387	-	1,387
Depreciation	2,838	795	152	-	21	-	3,806
Amortisation of computer software	9	34	-	-	34	-	77
Amortisation of other intangibles	-	70	4	17	-	-	91

* The Aerospace segment was previously known as Precision Engineering

2 Segment reporting continued

Analysis by business segment

The segment results for the year ended 31 March 2015 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	65,947	34,074	6,304	2,850	-	(1,672)	107,503
Less inter–segment revenue	(1,651)	(21)	-	-	-	1,672	-
Total external revenue	64,296	34,053	6,304	2,850	-	-	107,503
Expenses	(58,945)	(29,610)	(4,732)	(4,272)	(2,155)	-	(99,714)
Underlying operating profit	5,351	4,443	1,572	(1,422)	(2,155)	-	7,789
Impairment costs	-	-	-	(25,371)	(2,835)	-	(28,206)
Rationalisation costs	(3,351)	-	-	-	-	-	(3,351)
Litigation costs	-	-	-	-	(111)	-	(111)
Operating loss	2,000	4,443	1,572	(26,793)	(5,101)	-	(23,879)
Net finance expense							(666)
Income tax credit							1,772
Loss after tax							(22,773)

* The Aerospace segment was previously known as Precision Engineering

	Technical Plastics £000	LED Technologies £000	Aerospace* £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated statement of financial position							
Segment assets	72,325	22,328	6,464	5,701	8,609	-	115,427
Segment liabilities	(13,008)	(5,147)	(1,175)	(2,318)	(52,426)	-	(74,074)
Net assets	59,317	17,181	5,289	3,383	(43,817)	-	41,353
Other segmental information							
Capital expenditure on property, plant and equipment	3,810	2,127	316	80	3	-	6,336
Capital expenditure on computer software	13	41	-	-	42	-	96
Capital expenditure on other intangibles	-	-	-	400	945	-	1,345
Depreciation	2,423	657	125	380	28	-	3,613
Amortisation of computer software	12	40	1	-	17	-	70
Amortisation of other intangibles	-	113	-	616	-	-	729

* The Aerospace segment was previously known as Precision Engineering

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 –

	External revenue		Net segment assets		Expenditure on tangible fixed assets and computer software	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**39,644**	34,390	**(20,178)**	(5,373)	**2,332**	3,182
North America	**38,349**	35,264	**26,397**	24,761	**1,979**	2,398
Rest of world	**40,981**	37,849	**26,648**	21,965	**4,065**	852
	118,974	107,503	**32,867**	41,353	**8,376**	6,432

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 £23.216 million (2015 - net liabilities of £12.131 million), and net borrowings of £37.519 million (2015 - £31.596 million).

One Technical Plastics customer accounted for 19.3% of group revenues (2015 – 22.8%) and one LED Technologies customer accounted for 14.5% of group revenues (2015 - 13.0%) 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 and also includes the group’s development companies, Platform Diagnostics Limited and Carclo Diagnostic Solutions, until these companies start to achieve income streams for the group.

Deferred tax assets by geographical location are as follows, United Kingdom £9.283 million (2015 - £7.682 million), North America £0.335 million (2015 - £0.432 million), Rest of world £0.181 million (2015 - £0.223 million).

Total non-current assets by geographical location are as follows, United Kingdom £35.042 million (2015 - £39.689 million), North America £17.526 million (2015 - £16.143 million), Rest of world £14.092 million (2015 - £10.233 million).

3 Operating profit / (loss)

	2016 £000	2015 £000
Operating profit / (loss) is arrived at as follows -		
Revenue	**118,974**	107,503
Increase in stocks of finished goods and work in progress	**1,866**	448
	120,840	107,951
Raw materials and consumables	**58,788**	51,995
Personnel expenses (see note 4)	**30,631**	29,180
Amortisation of intangible assets	**168**	799
Depreciation of property, plant and equipment	**3,806**	3,613
Amortisation of grants	**-**	(10)
Auditor's remuneration -		
Fees payable to the company's auditor for the audit of the company's annual accounts	**75**	80
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**95**	109
Tax advisory services	**15**	9
Total	**185**	198
Operating lease rentals -		
Property	**1,104**	844
Plant and machinery	**598**	527
Total	**1,702**	1,371
Rationalisation costs (see note 5)	**(65)**	3,351
Litigation costs (see note 5)	**64**	111
Impairment of CIT Technology (see note 5)	**-**	25,371
Impairment of Platform Diagnostics (see note 5)	**-**	2,835
Impairment of Carclo Diagnostic Solutions (see note 5)	**4,858**	-
Foreign exchange gains	**(174)**	(214)
Pension scheme administration costs	**603**	650
Other operating charges	**15,097**	12,580
	115,663	131,830
Operating profit / (loss)	**5,177**	(23,879)

4 Personnel expenses

	2016 £'000	2015 £'000
Wages and salaries	**25,519**	24,932
Social security contributions	**3,542**	2,875
Charge in respect of defined contribution and other pension plans	**1,099**	1,043
Share based payments (see note 23)	**471**	330
	30,631	29,180

Redundancy costs of £0.108 million (2015 - £0.987 million) are excluded from the above analysis and included in note 5. Directors' remuneration and emoluments, which are included in this analysis, are described in the directors' remuneration report on pages 40 to 56.

The average monthly number of persons employed by the group during the year was as follows –	2016 Number of employees	2015 Number of employees
By segment		
Unallocated	**15**	15
Technical Plastics	**988**	827
LED Technologies	**251**	229
Aerospace*	**71**	72
CIT Technology	**15**	29
	1,340	1,172
By geographic location		
United Kingdom	**498**	479
North America	**282**	252
Rest of world	**560**	441
	1,340	1,172

* The Aerospace segment was previously known as Precision Engineering

5 Exceptional costs

	2016 £000	2015 £000
United Kingdom		
Litigation costs	**(64)**	(111)
Rationalisation costs	**578**	(3,101)
Impairment of Carclo Diagnostic Solutions	**(4,858)**	-
Impairment of CIT Technology	**-**	(25,371)
Impairment of Platform Diagnostics	**-**	(2,835)
North America		
Rationalisation costs	**-**	-
Rest of world		
Rationalisation costs	**(513)**	(250)
	(4,857)	(31,668)

A review of the potential strategic options and funding options for Carclo Diagnostic Solutions commenced during the current year. The review did not identify a credible strategic option to take CDS forward or new investors and it concluded that the group should discontinue its investment.
As discussed in Note 10 an impairment review of the Carclo Diagnostic Solutions cash generating unit has been completed and as a result an impairment of £4.858 million has been recognised during the current period in respect of patents and development costs. The £4.858 million charge does not include closure costs since recognition criteria had not been met as at 31 March 2016.

5 Exceptional costs continued

Following an impairment review of CIT Technology an impairment of £2.968 million to its intangible assets has been recognised during the current period. In addition income of £2.968 million has been recognised in respect of an agreement to license CIT Technology's fine line technology to UniPixel Inc. for an initial five year period. CIT has also granted a royalty free Intellectual Property License for UniPixel to use CIT's know-how for metal mesh touch screen technology.

6 Finance revenue and expense

	2016	2015
	£000	£000
Finance revenue comprises –		
Interest receivable on cash at bank	**17**	30
Net interest on the net defined benefit asset	**-**	34
Finance revenue	**17**	64
Finance expense comprises –		
Bank loans and overdrafts	**(928)**	(730)
Net interest on the net defined benefit liability	**(371)**	-
Finance expense	**(1,299)**	(730)

7 Income tax expense / credit

	2016	2015
	£000	£000
The (expense) / credit recognised in the consolidated income statement comprises -		
United Kingdom corporation tax		
Corporation tax on profits for the current year	**-**	-
Adjustments for prior years	**-**	-
Overseas taxation		
Current tax	**(885)**	(820)
Adjustments for prior years	**-**	-
Total current tax net expense	**(885)**	(820)
Deferred tax (expense) / credit		
Origination and reversal of temporary differences -		
Deferred tax	**(410)**	3,127
Rate change	**(16)**	-
Adjustments for prior years	**(397)**	(535)
Total deferred tax (expense) / credit	**(823)**	2,592
Total income tax (expense) / credit recognised in the consolidated income statement	**(1,708)**	1,772

7 Income tax expense / credit continued

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 -

	2016		2015	
	£000	**%**	£000	%
Profit / (loss) before tax	**3,895**		(24,545)	
Income tax using standard rate of UK corporation tax of 20% (2015 - 21%)	**779**	**20.0**	(5,154)	21.0
Adjustments in respect of overseas tax rates	**362**	**9.3**	373	(1.5)
Other temporary differences	**(1,631)**	**(41.9)**	(3,076)	12.5
Movement in unprovided deferred tax	**2,370**	**60.8**	1,551	(6.3)
Other items not deductible for tax purposes	**(585)**	**(15.0)**	3,999	(16.3)
Adjustment to current tax in respect of prior periods (UK and overseas)	**-**	**-**	-	-
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**397**	**10.2**	535	(2.2)
Rate change on deferred tax	**16**	**0.4**	-	-
Total income tax charge / (credit) in the consolidated income statement	**1,708**	**43.8**	(1,772)	7.2

Tax on items charged outside of the consolidated income statement -

	2016	2015
	£000	£000
Deferred tax relating to actuarial remeasurement of the defined benefit scheme	**(1,647)**	(2,689)
Share based payments	**(292)**	(37)
Foreign exchange movements	**924**	(104)
Total income tax credited to equity	**(1,015)**	(2,830)

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

	2016 £000	2015 £000
Profit / (loss) after tax from continuing operations	**2,187**	(22,773)
Loss attributable to non-controlling interests	**13**	831
Profit / (loss) after tax, attributable to equity holders of the parent	**2,200**	(21,942)

	2016 shares	2015 shares
Weighted average number of ordinary shares in the year	**66,204,557**	66,153,517
Effect of share options in issue	**36,413**	30,921
Weighted average number of ordinary shares (diluted) in the year	**66,240,970**	66,184,438

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 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 / (loss) to underlying profit used in the numerator in calculating underlying earnings per share -

	2016 £000	2015 £000
Profit / (loss) after tax, attributable to equity holders of the parent	**2,200**	(21,942)
Rationalisation costs, net of tax	**(77)**	3,100
Litigation costs, net of tax	**51**	111
Impairment of Carclo Diagnostic Solutions, net of tax	**4,518**	-
Impairment of CIT Technology, net of tax	**-**	21,933
Impairment of Platform Diagnostics, net of tax	**-**	2,035
Underlying profit attributable to equity holders of the parent	**6,692**	5,237

8 Earnings per share continued

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

	2016 Pence	2015 Pence
Basic - continuing operations	**3.3**	(33.2)
Basic - discontinued operations	**-**	-
Basic - total	**3.3**	(33.2)
Diluted - continuing operations	**3.3**	(33.2)
Diluted - discontinued operations	**-**	-
Diluted - total	**3.3**	(33.2)
Underlying earnings per share - basic	**10.1**	7.9
Underlying earnings per share - diluted	**10.1**	7.9

9 Dividends paid and proposed

	2016 £000	2016 Pence	2015 £000	2015 Pence
Ordinary dividends per 5 pence share declared in the period comprised –				
Final dividend for 2013/14	**-**	**-**	1,192	1.80
Interim dividend for 2014/15	**-**	**-**	563	0.85
Final dividend for 2014/15	**1,258**	**1.90**	-	-
Interim dividend for 2015/16	**596**	**0.90**	-	-
	1,854	**2.80**	1,755	2.65

The directors are proposing a final dividend of 1.95 pence per ordinary share for the year ended 31 March 2016. If approved at the annual general meeting on 1 September 2016, the dividend payment totalling £1.291 million will be paid on 7 October 2016 to shareholders on the share register at close of business on 26 August 2016.

The interim dividend of £0.596 million was paid on 5 April 2016 and consequently has not been accrued.

10 Intangible assets

	Goodwill £000	Patents and development costs £000	Customer related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 1 March 2014	20,488	26,981	402	1,105	48,976
Additions	-	1,345	-	96	1,441
Effect of movements in foreign exchange	13	-	(3)	32	42
Balance at 31 March 2015	**20,501**	**28,326**	**399**	**1,233**	**50,459**
Additions	**-**	**1,387**	**-**	**140**	**1,527**
Disposals	**-**	**-**	**-**	**-**	**-**
Effect of movements in foreign exchange	**718**	**-**	**1**	**10**	**729**
Balance at 31 March 2016	**21,219**	**29,713**	**400**	**1,383**	**52,715**
Amortisation					
Balance at 31 March 2014	-	1,770	352	860	2,982
Amortisation for the year	-	684	45	70	799
Impairment arising on review of CIT Technology	931	16,894	-	-	17,825
Impairment arising on review of Platform Diagnostics	517	2,318	-	-	2,835
Effect of movements in foreign exchange	-	-	-	18	18
Balance at 31 March 2015	**1,448**	**21,666**	**397**	**948**	**24,459**
Amortisation for the year	**-**	**87**	**4**	**77**	**168**
Impairment arising on review of Carclo Diagnostic Solutions	**-**	**4,858**	**-**	**-**	**4,858**
Impairment arising on review of CIT Technology	**-**	**2,968**	**-**	**-**	**2,968**
Effect of movements in foreign exchange	**-**	**-**	**(1)**	**6**	**5**
Balance at 31 March 2016	**1,448**	**29,579**	**400**	**1,031**	**32,458**
Carrying amounts					
At 1 April 2014	20,488	25,211	50	245	45,994
At 31 March 2015	19,053	6,660	2	285	26,000
At 31 March 2016	**19,771**	**134**	**-**	**352**	**20,257**

Impairment tests for cash generating units containing goodwill

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

	2016 £000	2015 £000
Technical Plastics	**18,126**	17,500
LED Technologies	**389**	389
Aerospace*	**1,256**	1,164
	19,771	19,053

* The Aerospace segment was previously known as Precision Engineering

The recoverable amounts of the cash generating units are based on value in use calculations. Those calculations use board approved 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 five years. A five year period has been utilised given the relatively stable nature of the segments. Year one and year two (2016/17 and 2017/18) were based on detailed budgets prepared by management. Years three to five are extrapolated using these budgets and assuming growth of up to 8.0% per annum dependent upon the markets served. From year five onwards growth is assumed at 3.0% per annum. The cash flows were discounted at a pre-tax rate of 7.6% (2015 - 6.9%) for Technical Plastics, LED Technologies and Aerospace*. These rates are calculated and reviewed annually. Changes in income and expenditure are based on expectations of future changes in the market. No impairment arose during the year as a result of this test. The valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

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

11 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2014	21,514	53,513	75,027
Additions	947	5,389	6,336
Disposals	-	(2,571)	(2,571)
Transfer of Harthill property to non current assets held for sale	(2,826)	-	(2,826)
Effect of movements in foreign exchange	704	1,017	1,721
Balance at 31 March 2015	**20,339**	**57,348**	**77,687**
Additions	**2,314**	**5,922**	**8,236**
Disposals	**(507)**	**(2,618)**	**(3,125)**
Effect of movements in foreign exchange	**647**	**1,262**	**1,909**
Balance at 31 March 2016	**22,793**	**61,914**	**84,707**
Depreciation and impairment losses			
Balance at 31 March 2014	5,090	34,280	39,370
Depreciation charge for the year	564	3,049	3,613
Disposals	-	(2,087)	(2,087)
Impairment arising on review of CIT Technology	-	5,584	5,584
Impairment arising on Harthill closure	888	-	888
Transfer of Harthill property to non current assets held for sale	(2,126)	-	(2,126)
Effect of movements in foreign exchange	162	562	724
Balance at 31 March 2015	**4,578**	**41,388**	**45,966**
Depreciation charge for the year	**811**	**2,995**	**3,806**
Disposals	**(373)**	**(2,477)**	**(2,850)**
Effect of movements in foreign exchange	**168**	**1,020**	**1,188**
Balance at 31 March 2016	**5,184**	**42,926**	**48,110**
Carrying amounts			
At 1 April 2014	16,424	19,233	35,657
At 31 March 2015	15,761	15,960	31,721
At 31 March 2016	**17,609**	**18,988**	**36,597**

At 31 March 2016, properties with a carrying amount of £5.382 million were subject to a registered charge in favour of the group pension scheme (2015 - £5.354 million).

12 Investments

	2016 £000	2015 £000
Quoted investments	**7**	7
	7	7

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.

13 Inventories

	2016 £000	2015 £000
Raw materials and consumables	**7,478**	7,188
Work in progress	**656**	734
Finished goods	**7,462**	5,518
	15,596	13,440

The value of inventories is stated after impairment for obsolescence and write downs to net realisable value of £1.127 million (2015 - £1.024 million).

14 Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**15,696**	15,837
Less impairment provision	**(82)**	(49)
	15,614	15,788
Other debtors and prepayments	**11,033**	8,579
	26,647	24,367

The ageing profile of the trade receivables, net of impairment provisions, was as follows –	2016 £000	2015 £000
Not past due	**12,615**	11,700
Past due 0 – 30 days	**1,667**	3,140
Past due 31 – 60 days	**741**	309
Past due 61 – 120 days	**521**	608
More than 120 days	**70**	31
	15,614	15,788

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.

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

15 Cash and cash deposits

	2016 £000	2015 £000
Cash at bank and in hand	**16,692**	10,855
	16,692	10,855

16 Non current assets classified as held for sale

	2016 £000	2015 £000
Surplus land and buildings	**700**	700
Net assets held for sale	**700**	700

At the year end surplus land and buildings with a written down value of £0.700 million have been reclassified as being held for sale. This relates to the property at the closed Harthill, Scotland site. These assets are being actively marketed with an expectation that they will be sold within the next year.

17 Interest bearing loans and borrowings

	2016 £000	2015 £000
Current –		
Bank overdrafts	**10,696**	5,713
	10,696	5,713
Non current –		
Bank loans repayable between two and five years	**30,746**	29,660
	30,746	29,660

Bank loans include £30,746 million (2015 - £29.660 million) secured on the assets of the group.

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2016 the gross amount of overdrafts available was £10.899 million (2015 - £10.838 million) of which £0.000 million was utilised at the year end (2015 - £1.450 million) which is net of qualifying cash balances

At 31 March 2016 the group had medium term multi-currency revolving loan facilities totalling £30.000 million (2015 - £30.000 million). These facilities were entered into on 27 March 2015 with the group's principal UK banker and terminate on 27 March 2020. At 31 March 2016 these facilities were drawn to the extent of £30.746 million (2015 - £29.660 million) and incur interest at the rate of 1.75% 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 2016 the gross value of the assets secured, which includes applicable inter company balances, amounted to £40.010 million (2015 - £30.004 million). Excluding inter company balances the value of the security was £30.514 million (2015 - £21.083 million).

18 Deferred tax assets and liabilities

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016 £000	2015 £000
Assets -		
Property, plant and equipment	**4,687**	4,720
Employee benefits	**4,295**	2,426
Short term timing differences	**685**	732
Share based payments	**132**	208
Tax losses	**-**	251
Deferred tax assets	**9,799**	8,337
Liabilities -		
Intangible assets	**3,784**	4,327
Property, plant and equipment	**1,624**	-
Short term timing differences	**630**	441
Deferred tax liabilities	**6,038**	4,768
Net deferred tax asset	**3,761**	3,569

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items -

Tax losses – overseas	**282**	28
Tax losses – trading	**4,685**	2,051
Tax losses – capital	**247**	267
Tax losses – non trading	**405**	903
	5,619	3,249

18 Deferred tax assets and liabilities continued

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 2016. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2016.

The tax losses at 31 March 2016 are available to carry forward without time restriction.

At 31 March 2016 there were no recognised deferred tax liabilities for taxes that would be deductible on the unremitted earnings of the group's overseas subsidiary undertakings (2015 - nil) as the group policy is to continually reinvest in those businesses. If all earnings were remitted it is estimated that £0.492 million of additional tax would be payable (2015 - £0.413 million).

Deferred tax assets and liabilities at 31 March 2016 have been calculated based on the rates substantively enacted at the balance sheet date. The UK Finance (No.2) Bill 2015 provides for reductions in the UK corporation tax rate from 20% to 19% in the year commencing 1 April 2017 and then to 18% from 1 April 2020; these rates became substantively enacted on 26 October 2015. In the UK Budget on March 2016, the Chancellor announced an additional planned reduction in the UK corporation tax rate to 17% from 1 April 2020. This rate has not been substantively enacted at the balance sheet date.

	Balance as at 1 Apr 15 £000	**Recognised on acquisition £000**	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 16 £000**
Property, plant and equipment	**4,720**	**-**	**(1,657)**	**-**	**3,063**
Intangible assets	**(4,327)**	**-**	**1,397**	**(854)**	**(3,784)**
Employee benefits	**2,426**	**-**	**222**	**1,647**	**4,295**
Share based payments	**208**	**-**	**(368)**	**292**	**132**
Short term timing differences	**291**	**-**	**(166)**	**(70)**	**55**
Tax losses	**251**	**-**	**(251)**	**-**	**-**
	3,569	**-**	**(823)**	**1,015**	**3,761**

	Balance as at 1 Apr 14 £000	Recognised on acquisition £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 15 £000
Property, plant and equipment	3,277	-	1,443	-	4,720
Intangible assets	(4,713)	-	388	(2)	(4,327)
Employee benefits	(49)	-	(214)	2,689	2,426
Share based payments	68	-	103	37	208
Short term timing differences	(967)	-	1,152	106	291
Tax losses	531	-	(280)	-	251
	(1,853)	-	2,592	2,830	3,569

19 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, a funded defined benefit pension scheme which provides defined benefits for some of its members. The scheme is administered and the assets are held within a trust which is legally separate from the Company.

Trustees are appointed by both the company and the scheme's membership and including an independent trustee. The trustees act in the interest of the scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the scheme's assets.

This scheme provides pensions and lump sums to members on retirement and to their dependants on death. 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.

Responsibility for making good any deficit within the scheme lies with the Company and this introduces a number of risks for the Company. The major risks are: interest rate risk; inflation risk; investment risk and longevity risk. The Company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal controls policies, including a risk register.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. The last actuarial valuation of the scheme was at 31 March 2015. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions. The results of the 31 March 2015 valuation have been projected to 31 March 2016 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

19 Retirement benefit obligations continued

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

	2016 £000	2015 £000
Present value of funded obligations	**(196,925)**	(201,123)
Fair value of scheme assets	**173,709**	188,992
Recognised liability for defined benefit obligations	**(23,216)**	(12,131)

Movements in the net liability for defined benefit obligations recognised in the consolidated statement of financial position -	**2016 £000**	2015 £000
Net (liability) / asset for defined benefit obligations at the start of the year	**(12,131)**	239
Contributions paid	**1,068**	1,039
Net (expense) / income recognised in the consolidated income statement (see below)	**(371)**	34
Remeasurement losses recognised directly in equity	**(11,782)**	(13,443)
Net liability for defined benefit obligations at the end of the year	**(23,216)**	(12,131)

Movements in the present value of defined benefit obligations and scheme assets -

	2016 £000	2015 £000
Liability at the start of the year	**201,123**	183,585
Net interest on the net defined benefit liability	**6,275**	7,856
Remeasurement (gains) / losses	**(382)**	19,823
Benefits paid	**(10,091)**	(10,141)
Liability at the end of the year	**196,925**	201,123
Assets at the start of the year	**188,992**	183,824
Interest on scheme assets	**5,904**	7,890
Remeasurement (losses) / gains	**(12,164)**	6,380
Contributions by employer	**1,068**	1,039
Benefits paid	**(10,091)**	(10,141)
Assets at the end of the year	**173,709**	188,992
Actual return on scheme assets	**(6,260)**	14,270

The fair value of scheme asset investments was as follows -

	2016 £000	2015 £000
Bonds	**-**	66,490
Diversified Growth Funds	**162,912**	117,712
Liability Driven Investments	**9,682**	-
Cash	**1,115**	4,790
	173,709	188,992

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 Trustee's bank account balance.

19 Retirement benefit obligations continued

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

	2016	2015
	£000	£000
Net interest on the net defined benefit liability	**371**	(34)
	371	(34)

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

	2016	2015
	£000	£000
Other finance revenue and expense - net interest on the net defined benefit liability	**371**	(34)
	371	(34)

The group recognises remeasurement gains and losses immediately on the balance sheet through the statement of comprehensive income. The cumulative remeasurement net loss reported in the statement of comprehensive income since 1 April 2004 is £26.298 million.

The current best estimate of employer cash contributions to be paid in the year ending 31 March 2017 is £1.169 million.

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

	2016	2015
Discount rate at 31 March	**3.50%**	3.20%
Expected return on plan assets at 31 March	**N/A**	N/A
Future salary increases	**N/A**	N/A
Inflation	**3.00%**	3.05%
Future pension increases	**1.90%**	1.95%
Life expectancy for a male (current pensioner) aged 65	**18.4 years**	18.2 years
Life expectancy at 65 for a male aged 40	**20.1 years**	20.6 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2015 - 100%).
The history of the scheme's deficits and experience gains and losses is shown in the following table -

	2016	2015
	£000	£000
Present value of funded obligations	**(196,925)**	(201,123)
Fair value of scheme asset investments	**173,709**	188,992
Recognised liability for defined benefit obligations	**(23,216)**	(12,131)
Actual return on scheme assets	**(6,260)**	14,270
Remeasurement gains / (losses) on scheme liabilities	**382**	(19,823)

20 Provisions

	2016			2015		
	CIT expected costs £000	**Site closure £000**	**Total £000**	CIT expected costs £000	Site closure £000	Total £000
Provisions at the start of the year - current	**1,703**	**500**	**2,203**	-	-	-
Provision established in the period	**-**	**-**	**-**	1,703	500	2,203
Provisions used in the period	**(1,126)**	**(457)**	**(1,583)**	-	-	-
Provisions at the end of the year - current	**577**	**43**	**620**	1,703	500	2,203

£0.207 million of the provision of £0.250 million established in March 2015 in respect of the closure of the Harthill, Scotland site was used in the period.

The provision of £0.250 million established in March 2015 in respect of the closure of the Shanghai, China site as part of the move to a new plant at Taicang, China was fully used in the period.

Of the £1.703 million provision established in March 2015 for the remainder of the costs in respect of the CIT Technology division, £1.126 million was used in the period.

21 Trade and other payables - falling due within one year

	2016 £000	2015 £000
Trade payables	**9,767**	9,506
Other taxes and social security costs	**2,759**	1,454
Other creditors	**2,867**	2,553
Accruals and deferred income	**4,799**	3,706
	20,192	17,219

22 Fair values

The fair value of financial assets and liabilities are not materially different from their carrying value.

There are no material items as required to be disclosed under the fair value hierarchy.

23 Ordinary share capital

Ordinary shares of 5 pence each -	**Number of shares**	£000
Issued and fully paid at 31 March 2015	66,189,142	3,310
Shares issued on exercise of share options	24,000	1
Issued and fully paid at 31 March 2016	**66,213,142**	**3,311**

During the course of the financial year 24,000 shares were issued in respect of share options at an average exercise price of 80.0 pence per ordinary share. The shares are fully paid.

Outstanding share options are as follows -

	Date granted	Number of shares	Price	Date exercisable
Executive share option schemes	15 September 2006	64,000	77p	to 14 September 2016
	23 June 2008	2,000	86p	23 June 2011 to 22 June 2018

Outstanding awards under the performance share plan are as follows -

	Date granted	Number of shares	Price	Earliest date of vesting
Performance share plan	12 July 2013	201,000	nil	12 July 2016
	11 July 2014	584,000	nil	11 July 2017
	13 July 2015	459,000	nil	13 July 2018

23 Ordinary share capital continued

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 -

	2016	2015
	13 July 2015 Award	11 July 2014 Award
Performance share plan		
Fair value at grant date	**104p**	64p
Share price at grant date	**145p**	113¾p
Exercise price	**0.0p**	0.0p
Expected volatility	**52.36%**	57.06%
Expected dividend yield	**2.30%**	2.33%

The performance share plan award issued on 13 July 2015 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 2018 rising to 100% for upper quartile performance.

The expected volatility is based on the historical 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.

The amounts recognised in the income statement arising from equity settled share based payments was a charge of £0.471 million (2015 - £0.330 million).

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

	2016		2015	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at 1 April	**7.5**	**940,000**	30.5	571,000
Lapsed during the period	**-**	**(65,000)**	-	(80,000)
Exercised during the period	**80.0**	**(24,000)**	77.0	(135,000)
Granted during the period	**-**	**459,000**	-	584,000
Outstanding at the end of the period	**3.9**	**1,310,000**	7.5	940,000
Exercisable at 31 March		**66,000**		90,000
Weighted average remaining life at 31 March		**17 months**		22 months

The weighted average share price at the date of exercise for the share options exercised in 2016 was 147.00 pence (2015 - 110.75 pence).

24 Reserves

	2016	2015
	£000	£000
Other reserves		
Other reserves comprise –		
Revaluation reserve arising on land and buildings	**252**	252
Revaluation reserve arising on intangible assets	**2,002**	2,002
	2,254	2,254

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 2016 the plan held 3,077 shares (2015 - 3,077 shares).

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.

The group is exposed to a range of financial risks as part of its day to day activities. These include credit risk, interest rate risk, liquidity risk and foreign currency risk.

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. 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 bank which has a high credit rating assigned by independent international credit rating agencies. In addition, the group has undrawn net overdraft facilities of £10.899 million at 31 March 2016 (2015 - £9.387 million) which are available to mitigate any liquidity risk.

	2016	2015
	£000	£000
The maximum exposure to credit risk as at 31 March was –		
Quoted investments	**7**	7
Trade receivables, net of attributable impairment provisions	**15,614**	15,788
Cash and cash deposits	**16,692**	10,855
	32,313	26,650

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.

	2016	2015
	£000	£000
United Kingdom	**5,542**	4,861
Rest of Europe	**4,677**	3,956
North America	**3,719**	4,440
Rest of world	**1,676**	2,531
Trade receivables, net of attributable impairment provisions	**15,614**	15,788

25 Financial instruments continued

Interest rate risk

The group's borrowings are on floating rate terms. In the year to 31 March 2016, interest rates have remained at historic lows in response to the worldwide recession. This has kept the interest charge borne by the group at a lower level.

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

As at 31 March 2016	**Floating rate interest payable £000**
Sterling	**28,076**
US dollar	**5,942**
Euro	**7,377**
Other	**47**
	41,442
As at 31 March 2015	
Sterling	21,978
US dollar	5,830
Euro	7,393
Other	172
	35,373

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

As at 31 March 2016	**Floating rate interest receivable £000**	**No interest receivable £000**	**Total £000**
Sterling	**7,457**	**12**	**7,469**
US dollar	**4,985**	**-**	**4,985**
Euro	**3,059**	**2**	**3,061**
Other	**1,155**	**22**	**1,177**
	16,656	**36**	**16,692**

As at 31 March 2015	Floating rate interest receivable £000	No interest receivable £000	Total £000
Sterling	3,221	29	3,250
US dollar	4,656	-	4,656
Euro	979	189	1,168
Other	1,761	20	1,781
	10,617	238	10,855

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

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 17, the group has committed term loan facilities of £30.000 million (2015 - £30.000 million). In addition, the group has overdraft facilities totalling £10.899 million (2015 - £10.838 million). The group's net debt at 31 March 2016 was £24.750 million (2015 - £24.518 million), comfortably within the available facilities.

25 Financial instruments continued

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 net investment in 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 net investment in 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 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 are summarised as follows –

	2016		2015	
	Less than 6 months £000	**6 - 12 months £000**	Less than 6 months £000	6 - 12 months £000
Assets	**1,760**	**-**	1,390	-
Liabilities	**-**	**-**	(254)	-
	1,760	**-**	1,136	-

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**
As at 31 March 2016					
Trade receivables, net of attributable impairment provisions	**6,795**	**3,850**	**2,570**	**2,399**	**15,614**
Trade payables	**(3,073)**	**(3,674)**	**(2,103)**	**(917)**	**(9,767)**
Net	**3,722**	**176**	**467**	**1,482**	**5,847**
As at 31 March 2015					
Trade receivables, net of attributable impairment provisions	5,818	4,742	2,551	2,677	15,788
Trade payables	(3,095)	(4,546)	(1,501)	(364)	(9,506)
Net	2,723	196	1,050	2,313	6,282

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

	Average rate		Reporting date mid-market rate	
	2016	2015	**2016**	2015
Sterling / US dollar	**1.50**	1.60	**1.44**	1.48
Sterling / Czech koruna	**36.9**	35.5	**34.2**	37.6
Sterling / Chinese renminbi	**9.52**	9.92	**9.27**	9.08
Sterling / Euro	**1.35**	1.27	**1.27**	1.37
Sterling / Indian rupee	**98.3**	96.8	**95.1**	92.9

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 2016 and 31 March 2015. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2016 were insignificant.

25 Financial instruments continued

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 2016, 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 £0.459 million (2015 – £0.327 million decrease). 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 £0.882 million for the year ended 31 March 2016 (2015 – £0.997 million decrease) which is detailed by currency in the following table –

	2016 £000	2015 £000
US dollar	385	474
Euro	257	255
Czech koruna	115	72
Other	125	196
	882	997

Capital risk management

The capital structure of the group consists of net debt (borrowings as detailed in note 17 offset by cash and bank balances) and equity of the group (comprising issued share capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity).

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an appropriate capital structure. In order to maintain or adjust the capital structure, the group will take into account the amount of dividends paid to shareholders, the level of debt and the number of shares in issue. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest charges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the board.

26 Cash generated from operations

	2016 £000	2015 £000
Operating profit / (loss)	5,177	(23,879)
Adjustments for -		
Pension fund contributions in excess of service costs	(1,068)	(1,039)
Depreciation charge	3,806	3,613
Amortisation of intangible assets	168	799
Exceptional tangible fixed asset write down, arising on rationalisation of business	-	6,472
Exceptional impairment of intangible assets, arising on rationalisation of business	7,826	20,660
Loss on disposal of other plant and equipment	68	465
Provisions in respect of rationalisation	-	2,203
Cash flow relating to provision for site closure costs	(1,583)	-
Share based payment charge	471	330
Operating cash flow before changes in working capital	14,865	9,624
Changes in working capital		
(Increase) / decrease in inventories	(1,939)	246
Increase in trade and other receivables	(1,919)	(2,779)
Increase / (decrease) in trade and other payables	2,926	(3,542)
Cash generated from operations	13,933	3,549

27 Financial commitments

	2016 £000	2015 £000
(a) The directors have authorised the following future capital expenditure which is contracted -	**600**	558

(b) The commitment under non cancellable operating leases was as follows -

	2016 £000	2015 £000
within one year	**393**	371
within two to five years	**3,197**	3,339
more than five years	**1,064**	-
	4,654	3,710

28 Related parties

Identity of related parties

The group has a related party relationship with its subsidiaries (see note 30), its directors and executive officers and the group pension scheme. There are no transactions that are required to be disclosed in relation to the group's 60% subsidiary Platform Diagnostics Limited.

Transactions with key management personnel

Details of directors' remuneration can be found in the remuneration report on pages 40 to 56.

Group pension scheme

During the year Carclo managed a pensions department which administers the group pension scheme (The Carclo Group Pension Scheme). The associated investment managers' costs are met by the scheme in full. The investment managers' costs in the year ended 31 March 2016 which were paid by Carclo and recharged to the scheme amounted to £0.000 million (2015 - £1.167 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 £0.603 million which has been charged to the Consolidated Income Statement (2015 - £0.650 million).

29 Accounting estimates and judgements

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

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

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

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

29 Accounting estimates and judgements continued

Impairment of goodwill

Note 10 contains information about the assumptions and their risk factors relating to goodwill impairment.

Capitalisation and recoverability of other intangible assets

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. Development expenditure is recognised in the income statement as incurred unless it meets all the criteria to be capitalised under IAS 38 - Intangible Assets. Development expenditure continues to be capitalised until the product reaches the point at which it operates in the manner intended by management, at which point amortisation commences.

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 19. 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.

A decrease in the discount rate by 0.25% per annum (i.e. 3.50% to 3.25%) would increase the scheme liabilities by 3.5% i.e. £6.892 million.

An increase in the rate of inflation by 0.25% per annum (i.e. 3.00% to 3.25%) would increase the scheme liabilities by 1.9% i.e. £3.742 million.

An increase in life expectancy of 1 year would increase the scheme liabilities by 3.5% i.e. £6.892 million.

Recognition of deferred tax assets

Note 18 contains information about the assumptions and their risk factors relating to the recognition of deferred tax assets.

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.

Investments in subsidiaries

The group and company have the following investments in subsidiaries -

	Principal place of business / Country of incorporation	Class of shares held	**2016 %**	2015 %
Company				
Acre Mills (UK) Limited	UK	Ordinary	**100**	100
Arthur Lee & Sons (Hot Rolling Mills) Limited	UK	Ordinary	**100**	100
Australian Card Clothing Limited	UK	Ordinary	**100**	100
Bruntons Aero Products Limited	UK	Ordinary	**100**	100
Bruntons (Musselburgh) Limited	UK	Ordinary	**100**	100
Brymill Stockholders Limited	UK	Ordinary	**100**	100
Carclo Diagnostic Solutions Limited	UK	Ordinary	**100**	100
Carclo Group Services Limited	UK	Ordinary	**100**	100
Carclo Holding Corporation	Cayman Islands	Ordinary	**100**	100
Carclo Holding Limited	UK	Ordinary	**100**	100
Carclo Investments Limited	UK	Ordinary	**100**	100
Carclo Overseas Holdings Limited	UK	Ordinary	**100**	100
Carclo Technical Plastics Limited	UK	Ordinary	**100**	100
Carclo Technical Plastics Private Co. Limited	India	Ordinary	**100**	100
Carclo Technical Plastics (Mitcham) Limited	UK	Ordinary	**100**	100
Carclo Technical Plastics (Slough) Limited	UK	Ordinary	**100**	100
Carclo Zephyr Limited	UK	Ordinary	**100**	100
CIT Technology Limited	UK	Ordinary	**100**	100
Critchley, Sharp & Tetlow Limited	UK	Ordinary	**100**	100
Crowther & Gee Limited	UK	Ordinary	**100**	100
CTP Davall Limited	UK	Ordinary	**100**	100
CTP Lichfield Limited	UK	Ordinary	**100**	100
CTP Silleck Limited	UK	Ordinary	**100**	100
CTP Silleck Scotland Limited	UK	Ordinary	**100**	100
CTP White Knight Limited	UK	Ordinary	**100**	100
Dell Baler Limited	UK	Ordinary	**100**	100
Edwin Stead & Sons Limited	UK	Ordinary	**100**	100
Fairbank Brearley Limited	UK	Ordinary	**100**	100
Finespark (Horsham) Limited	UK	Ordinary	**100**	100
Highfield Mills Limited	UK	Ordinary	**100**	100
Hills Diecasting Company Limited	UK	Ordinary	**100**	100
Hills Non Ferrous Limited	UK	Ordinary	**100**	100
Horsfall & Bickham Limited	UK	Ordinary	**100**	100
Horsfall Card Clothing Limited	UK	Ordinary	**100**	100
Ironfoil Limited	UK	Ordinary	**100**	100
John Sharp (Wire) Limited	UK	Ordinary	**100**	100
J.W.& H.Platt Limited	UK	Ordinary	**100**	100
Lee Of Sheffield Limited	UK	Ordinary	**100**	100
Lee Stainless Steel Services Limited	UK	Ordinary	**100**	100
Leeplas Limited	UK	Ordinary	**100**	100
Metallic Card Clothing Company Limited (The)	UK	Ordinary	**100**	100
Norseman (Cables & Extrusions) Limited	UK	Ordinary	**100**	100
Novoplex Limited	UK	Ordinary	**100**	100
Pratt, Levick And Company Limited	UK	Ordinary	**100**	100
Rumbold Securities Limited	UK	Ordinary	**100**	100
Seymour Plastics Limited	UK	Ordinary	**100**	100
Sheffield Wire Rope Company Limited (The)	UK	Ordinary	**100**	100
Shepley Investments Limited	UK	Ordinary	**100**	100
Smith Wires Limited	UK	Ordinary	**100**	100
Station Road (UK) Limited	UK	Ordinary	**100**	100

30 Group entities continued

	Principal place of business / Country of incorporation	Class of shares held	**2016 %**	2015 %
Company Continued				
Texture Rolled Limited	UK	Ordinary	**100**	100
Thomas White & Sons Limited	UK	Ordinary	**100**	100
Trubrite Limited	UK	Ordinary	**100**	100
Tru-Grit Limited	UK	Ordinary	**100**	100
Wipac Limited	UK	Ordinary	**100**	100
Woodcock & Booth Limited	UK	Ordinary	**100**	100
Woodhead Limited	UK	Ordinary	**100**	100
Yorkshire Engineering Supplies Limited	UK	Ordinary	**100**	100
Group				
AA Electronics Design Singapore PTE Limited	Singapore	Ordinary	**100**	100
Apollo Steels Limited	UK	Ordinary	**100**	100
Carclo France SAS	France	Ordinary	**100**	100
Carclo Platt Nederland BV	Netherlands	Ordinary	**100**	100
Carclo Securities Limited	UK	Ordinary	**100**	100
Carclo Technical Plastics (Brno) s.r.o	Czech Republic	Ordinary	**100**	100
Carclo US Finance No. 2	UK	Ordinary	**100**	100
Carclo US Holdings Inc	USA	Ordinary	**100**	100
Chapmans Springs Limited	UK	Ordinary	**100**	100
CTP Alan Limited	UK	Ordinary	**100**	100
CTP Carrera Inc	USA	Ordinary	**100**	100
CTP Finance NV	Curacao	Ordinary	**100**	100
CTP Moulded Gears Limited	UK	Ordinary	**100**	100
CTP Precision Tooling Limited	UK	Ordinary	**100**	100
CTP Taicang Co., Ltd	China	Ordinary	**100**	100
Datacall Limited	UK	Ordinary	**100**	100
D.B.T. (Motor Factors) Limited	UK	Ordinary	**100**	100
Douglas Campbell Limited	UK	Ordinary	**100**	100
European Card Clothing Company Limited	UK	Ordinary	**100**	100
Electro-Medical Limited	UK	A1 ordinary & Ordinary	**100**	100
Finemoulds Limited	UK	Ordinary	**100**	100
Finespark (Singapore) PTE Limited	Singapore	Ordinary	**100**	100
Gilby-Brunton Limited	UK	Ordinary	**100**	100
Industates Limited	UK	Ordinary	**100**	100
Jacottet Industrie SAS	France	Ordinary	**100**	100
John Shaw Lifting & Testing Services Limited	UK	Ordinary	**100**	100
Jonas Woodhead Limited	UK	Ordinary	**100**	100
Jonas Woodhead (Manchester) Limited	UK	Ordinary	**100**	100
Jonas Woodhead (Ossett) Limited	UK	Ordinary	**100**	100
Jonas Woodhead (Sheffield) Limited	UK	Ordinary	**100**	100
Jonas Woodhead & Sons Limited	UK	Ordinary	**100**	100
K.A.S. Precision Engineering Limited	UK	Ordinary	**100**	100
Platform Diagnostics Limited	UK	A1 ordinary	**60**	60
Rumbold Investments Limited	UK	Ordinary	**100**	100
Shepley Securities Limited	UK	Ordinary	**100**	100
Sima Plastics Limited	UK	Ordinary	**100**	100
Squires Steel Stockholders Limited	UK	Ordinary	**100**	100
Sybro Limited	UK	Ordinary	**100**	100
Toledo Woodhead Springs Limited	UK	Ordinary	**100**	100
Tolwood Engineering Limited	UK	Ordinary	**100**	100
Woodhead Components Limited	UK	Ordinary	**100**	100
Woodhead Construction Services Limited	UK	Ordinary	**100**	100
Woodhead Steel Limited	UK	Ordinary	**100**	100
Woodhead Construction Services Limited				
Woodhead Steel Limited				

COMPANY BALANCE SHEET AS AT 31 MARCH

	Notes	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible assets	32	**115**		141	
Investment in subsidiary undertakings	33	**102,502**		104,008	
			102,617		104,149
Current assets					
Debtors - amounts falling due within one year	34	**75,111**		56,343	
Debtors - amounts falling due after more than one year	34	**198**		183	
Cash at bank and in hand		**1,237**		660	
		76,546		57,186	
Creditors - amounts falling due within one year					
Trade and other creditors	35	**113,973**		97,511	
		113,973		97,511	
Net current liabilities			**(37,427)**		(40,325)
Total assets less current liabilities			**65,190**		63,824
Creditors - amounts falling due after more than one year	36		**(30,746)**		(29,660)
Net assets excluding pension liability			**34,444**		34,164
Pension liability	38		**(23,216)**		(12,131)
Total net assets			**11,228**		22,033
Capital and reserves					
Called up share capital	23		**3,311**		3,310
Share premium account			**18**		-
Merger reserve			**-**		-
Other reserves			**-**		-
Profit and loss account	39		**7,899**		18,723
Shareholders' funds			**11,228**		22,033

These accounts were approved by the board of directors on 7 June 2016
and were signed on its behalf by -

Michael Derbyshire
Robert Brooksbank } directors

7 June 2016

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2014	3,303	21,291	8,785	1,330	11,657	46,366
Loss for the period	-	-	-	-	(12,261)	(12,261)
Other comprehensive income -						
Remeasurement losses on defined benefit scheme	-	-	-	-	(13,443)	(13,443)
Taxation on items above	-	-	-	-	2,689	2,689
Total comprehensive income for the period	-	-	-	-	(23,015)	(23,015)
Transactions with owners recorded directly in equity -						
Share based payments	-	-	-	-	330	330
Dividends to shareholders	-	-	-	-	(1,752)	(1,752)
Exercise of share options	7	97	-	-	-	104
Capital reduction	-	(21,388)	-	(1,330)	22,718	-
Realisation of merger reserve	-	-	(8,785)	-	8,785	-
Balance at 31 March 2015	3,310	-	-	-	18,723	22,033
Balance at 1 April 2015	**3,310**	**-**	**-**	**-**	**18,723**	**22,033**
Profit for the period	**-**	**-**	**-**	**-**	**725**	**725**
Other comprehensive income -						
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**-**	**(11,846)**	**(11,846)**
Taxation on items above	**-**	**-**	**-**	**-**	**1,647**	**1,647**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(9,474)**	**(9,474)**
Transactions with owners recorded directly in equity -						
Share based payments	**-**	**-**	**-**	**-**	**471**	**471**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(1,821)**	**(1,821)**
Exercise of share options	**1**	**18**	**-**	**-**	**-**	**19**
Balance at 31 March 2016	**3,311**	**18**	**-**	**-**	**7,899**	**11,228**

31 Accounting policies for the company

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

a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 45.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:
- Business combinations – Business combinations that took place prior to 1 April 2014 have not been restated.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements (see note 45);
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 44.

The company has adopted the following IFRSs in these financial statements:
- Amendment to IAS19- Defined Benefit Plans: Employee Contributions;
- Annual Improvements to IFRSs – 2010-2012 Cycle. The definition of a 'related party' is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity; and
- Annual Improvements to IFRSs – 2011-2013 Cycle.

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

b) Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale, and liabilities for cash-settled share-based payments.

c) Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are between three and twelve years.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

31 Accounting policies for the company continued

f) Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss 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 on 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: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, 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 temporary difference can be utilised.

g) Employee benefits

Defined contribution plans -

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans -

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

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.

The Company is the sponsoring employer of a UK-group defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

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.

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

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount

31 Accounting policies for the company continued

j) Share based payments continued

recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Further disclosure in relation to share-based payments is given in note 23 of the Group financial statements.

k) Dividends

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the note to the financial statements.

32 Tangible fixed assets

	Plant and equipment £000
Cost	
Balance at 31 March 2015	970
Additions	29
Disposals	-
Balance at 31 March 2016	999
Depreciation and impairment losses	
Balance at 31 March 2015	829
Depreciation charge	55
Disposals	-
Balance at 31 March 2016	884
Carrying amounts	
At 31 March 2015	141
At 31 March 2016	115

33 Fixed asset investments

	Shares in group undertakings £000
Cost	
Balance at 31 March 2015	151,872
Additions	-
Disposals	-
Balance at 31 March 2016	151,872
Provisions	
Balance at 31 March 2015	47,864
Impairment losses	1,506
Disposals	-
Reversal of past impairments	-
Balance at 31 March 2016	49,370
Net book value	
At 31 March 2015	104,008
At 31 March 2016	102,502

During the year the company provided £1.506 million against its investment in CIT Technology Limited, a wholly owned English subsidiary.

A list of subsidiary undertakings is given in note 30 to the group financial statements.

34 Debtors

	2016 £000	2015 £000
Debtors - amounts falling due within one year -		
Amounts owed by group undertakings	**69,911**	52,201
Other debtors	**554**	520
Prepayments and accrued income	**101**	186
Taxation recoverable	**69**	825
Deferred taxation (see note 37)	**4,476**	2,611
	75,111	56,343
Debtors - amounts falling due after more than one year -		
Amounts owed by group undertakings	**198**	183

During the year the company provided £3.246 million against an amount owed by its subsidiary undertaking, Carclo Diagnostic Solutions Limited.

35 Trade and other creditors – amounts falling due within one year

	2016 £000	2015 £000
Bank overdrafts	**8,431**	3,165
Trade creditors	**13**	55
Taxation and social security	**53**	58
Other creditors	**89**	83
Accruals and deferred income	**771**	725
Amounts owed to group undertakings	**104,616**	93,425
	113,973	97,511

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2016 the gross amount of overdrafts available was £10.899 million (2015 - £10.838 million) of which £0.000 million was utilised at the year end (2015 - £1.450 million) which is net of qualifying cash balances.

36 Creditors – amounts falling due after more than one year

	2016 £000	2015 £000
Bank loans	**30,746**	29,660
	30,746	29,660

Bank loans include £30,746 million (2015 - £29.660 million) secured on the assets of the group

At 31 March 2016 the group had medium term multi-currency revolving loan facilities totalling £30.000 million (2015 - £30.000 million). These facilities were entered into on 27 March 2015 with the group's principal UK banker and terminate on 27 March 2020. At 31 March 2016 these facilities were drawn to the extent of £30.746 million (2015 - £29.660 million) and incur interest at the rate of 1.75% 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 2016 the gross value of the assets secured, which includes applicable inter company balances, amounted to £40.010 million (2015 - £30.004 million). Excluding inter company balances the value of the security was £30.514 million (2015 - £21.083 million).

37 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Deferred tax assets and liabilities are attributable to the following -						
Employee benefits	**4,295**	2,426	**-**	-	**4,295**	2,426
Tangible fixed assets	**176**	180	**-**	-	**176**	180
Other	**5**	5	**-**	-	**5**	5
Tax assets / (liabilities)	**4,476**	2,611	**-**	-	**4,476**	2,611
Net of tax (liabilities) / assets	**-**	-	**-**	-	**-**	-
Net tax assets / (liabilities)	**4,476**	2,611	**-**	-	**4,476**	2,611

Deferred tax assets have not been recognised in respect of the following items -

	2016	2015
	£000	£000
Tax losses - trading	**835**	6
Tax losses - capital	**241**	267
Tax losses - non trading	**173**	719
	1,249	992

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 2016. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2016.

The tax losses at 31 March 2016 are available to carry forward without time restriction.

Movement in deferred tax during the year -

	Balance as at 1 Apr 15 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 16 £000**
Employee benefits	**2,426**	**222**	**1,647**	**4,295**
Tangible fixed assets	**180**	**(4)**	**-**	**176**
Other	**5**	**-**	**-**	**5**
	2,611	**218**	**1,647**	**4,476**

Movement in deferred tax during the prior year -

	Balance as at 1 Apr 14 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 15 £000
Employee benefits	(49)	(214)	2,689	2,426
Tangible fixed assets	171	9	-	180
Other	5	-	-	5
	127	(205)	2,689	2,611

38 Pension Liability

The group operates a defined benefit UK pension scheme which provides pensions based on service and final pay.
The Company is the sponsoring employer throughout the current and prior period and full disclosures in respect of the plan are given in note 19 of the group financial statements.

39 Reserves

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 2016 the plan held 3,077 shares (2015 - 3,077 shares). The original cost of these shares was £0.003 million (2015 - £0.003 million). The cost of the shares has been charged against the profit and loss account.

40 Operating leases

Non-cancellable operating lease rentals are payable as follows –

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**-**	-	**-**	-
Between one and five years	**180**	42	**54**	-
	180	42	**54**	-

During the year £0.062 million was recognised as an expense in the profit and loss account in respect of operating leases (2015 - £0.068 million).

41 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 India. The maximum obligations under these arrangements at 31 March 2016 was £2.391 million (2015 - £2.497 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.

42 Profit and loss account

The profit after tax for the year dealt with in the accounts of the company amounts to £0.725 million (2015 - loss after tax £12.261 million) which, after dividends of £1.821 million (2015 - £1.752 million), gives a retained loss for the year of £1.096 million (2015 - £14.013 million).

43 Related parties

The company has a related party relationship with its subsidiaries (see note 30), its directors and executive officers and the group pension scheme. There are no transactions that are required to be disclosed in relation to the group's 60% subsidiary Platform Diagnostics Limited.

Transactions with related parties are set out in note 28 of the group financial statements.

Remuneration of the Directors, who are considered to be the key management personnel of the Company, is disclosed in the audited part of the Directors' Remuneration Report on pages 40 to 56.

44 Accounting estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

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

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the companys's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. These should be read in conjunction with the significant accounting policies provided in the notes to the financial statements.

Pension assumptions

The key assumptions applied to pensions are disclosed in notes 19 and 29 of the group financial statements.

Recognition of deferred tax assets

Note 37 contains information about the assumptions and their risk factors relating to the recognition of deferred tax assets.

45 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 31, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 31 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).
An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and cash flows is set out in the following tables and the notes that accompany the tables.

45 Explanation of transition to FRS 101 from old UK GAAP continued

Reconciliation of equity -

		1 April 2014			31 March 2015		
	Notes	UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000	UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000
Fixed assets							
Tangible assets		141	-	141	**141**	**-**	**141**
Investments - shares in group undertakings		110,634	-	110,634	**104,008**	**-**	**104,008**
		110,775	-	110,775	**104,149**	**-**	**104,149**
Current assets							
Debtors - amounts falling due within one year	b	66,876	-	66,876	**53,917**	**2,426**	**56,343**
Debtors - amounts falling due after more than one year		207	-	207	**183**	**-**	**183**
Cash at bank and in hand		1,620	-	1,620	**660**	**-**	**660**
		68,703	-	68,703	**54,760**	**2,426**	**57,186**
Creditors - amounts falling due within one year							
Trade and other creditors		115,733	-	115,733	**97,511**	**-**	**97,511**
		115,733	-	115,733	**97,511**	**-**	**97,511**
Net current liabilities		(47,030)	-	(47,030)	**(42,751)**	**2,426**	**(40,325)**
Total assets less current liabilities		63,745	-	63,745	**61,398**	**2,426**	**63,824**
Creditors - amounts falling due after more than one year		(17,569)	-	(17,569)	**(29,660)**	**-**	**(29,660)**
Provisions for liabilities	b	-	(49)	(49)	**-**	**-**	**-**
Net assets excluding pension liability		46,176	(49)	46,127	**31,738**	**2,426**	**34,164**
Pension liability	a	-	239	239	**(9,705)**	**(2,426)**	**(12,131)**
Total net assets		46,176	190	46,366	**22,033**	**-**	**22,033**
Capital and reserves							
Called up share capital		3,303	-	3,303	**3,310**	**-**	**3,310**
Share premium account		21,291	-	21,291	**-**	**-**	**-**
Merger reserve		8,785	-	8,785	**-**	**-**	**-**
Other reserves		1,330	-	1,330	**-**	**-**	**-**
Profit and loss account		11,467	190	11,657	**18,723**	**-**	**18,723**
Shareholders' funds		46,176	190	46,366	**22,033**	**-**	**22,033**

Notes to the reconciliation of equity -

a) At 1 April 2014 the £0.239 million pension surplus was capped at nil under UK GAAP as there existed no right for the company to claim direct recovery of the surplus; accordingly no pension asset was recognised. Under FRS 101 an asset was recognsed in respect of this surplus since an economic benefit was available to the company and which would have been realisable during the life of the plan or on settlement of the plan liabilities.

b) Deferred tax liabilities / assets attributable to the pension liability were added back to / deducted from the pension asset / liability under UK GAAP; under FRS 101 they are presented separately within provisions for liabilities and debtors - amounts falling due within one year respectively.

FIVE YEAR SUMMARY

	2016 £000	2015 £000	2014 £000	2013 restated £000	2012 restated £000
Revenue	**118,974**	107,503	97,267	86,514	93,267
Underlying operating profit	**10,034**	7,789	6,551	5,585	5,981
Non recurring items	**(4,857)**	(31,668)	(520)	(670)	(1,788)
Profit / (loss) before financing costs	**5,177**	(23,879)	6,031	4,915	4,193
Net financing charge	**(1,282)**	(666)	(1,260)	(1,698)	(1,120)
Profit / (loss) before tax	**3,895**	(24,545)	4,771	3,217	3,073
Overseas sales as a percentage of total sales	**66.7%**	68.0%	69.1%	73.3%	71.0%
Underlying operating margin	**8.4%**	7.2%	6.7%	6.5%	6.4%
Net margin	**3.3%**	(22.8%)	4.9%	3.7%	3.3%
Tax rate	**43.8%**	7.2%	24.8%	12.7%	15.6%
Earnings per share	**3.3p**	(33.2p)	5.5p	4.3p	3.6p
Underlying earnings per share	**10.1p**	7.9p	6.1p	5.2p	5.8p
Dividend per share	**2.85p**	2.75p	2.65p	2.55p	2.4p
Non current assets	**66,660**	66,065	86,686	87,712	79,634
Net current assets excluding cash, bank and finance leases	**20,211**	16,705	12,192	8,784	12,135
Net debt	**(24,750)**	(24,518)	(17,680)	(9,178)	(17,976)
Other non current liabilities	**(29,254)**	(16,899)	(6,642)	(22,196)	(28,519)
Total shareholders' funds	**32,867**	41,353	74,556	65,122	45,274
Post tax return on shareholders' funds	**6.7%**	(55.1%)	4.8%	4.3%	5.7%
Gearing (excluding net pensions balance)	**47.7%**	48.0%	23.7%	11.9%	24.8%
Assets per share	**50p**	62p	113p	100p	73p
Capital expenditure as a multiple of depreciation	**2.2x**	1.8x	1.9x	2.5x	1.1x
Average number of employees in year	**1,340**	1,172	1,112	1,073	1,051
Added value per employee	**£32,772**	£35,216	£32,059	£31,515	£34,534

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
2007	88p	132½p	2012	287½p	503p
2008	47½p	96p	2013	257p	501p
2009	48½p	150½p	2014	85¼p	292½p
2010	133½p	241½p	2015	87p	169¾p
2011	239p	349p	2016 to date	120p	159¾p

(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

Financial calendar 2016/17

Annual general meeting 2016	1 September 2016
Final dividend for 2016 payable to members on the register on 26 August 2016	7 October 2016
Ex - dividend date	25 August 2016
Interim report for the half year ending 30 September 2016	15 November 2016
Preliminary announcement of the results for the year ending 31 March 2017	6 June 2017

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 ninety first annual general meeting of the company will be held at the Holiday Inn, Junction 40, M1, Ossett, West Yorkshire on Thursday, 1 September 2016 at 3.00 pm for the transaction of the following business -

To consider and, if thought fit, pass the following resolutions, of which numbers 1 to 5 will be proposed as ordinary resolutions and numbers 6 to 9 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 2016.
2. To approve the directors' remuneration report for the year ended 31 March 2016 included within the 2016 report and accounts (other than that part of the report containing the directors' remuneration policy.
3. To declare a final dividend.
4. A. To re-elect MJC Derbyshire as a director of the company
   B To re-elect CJ Malley as a director of the company
   C To re-elect RJ Rickman as a director of the company
   D To re-elect RJ Brooksbank as a director of the company
   E To re-elect P Slabbert as a director of the company
   F To re-elect D Toohey as a director of the company
5. A. To appoint KPMG LLP as auditor 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 -

6. 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 £1,103,552;
   (b) this authority shall expire on 1 December 2017 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.

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

7. 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 £165,533, 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.

8. 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 6,621,314;
   (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 2017 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.

9. 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

Richard Ottaway
Secretary

27 Dewsbury Road, Ossett

24 June 2016

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 6.30 p.m. on 30 August 2016 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 3.00 p.m. on 30 August 2016. 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 18 June 2016 (the latest practicable date prior to the printing of this document) (i) the company's issued share capital consisted 66,213,142 ordinary shares, carrying one vote each, and (ii) the total voting rights in the company were 66,213,142.

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. 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.

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. 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 3.00 p.m. on 30 August 2016. 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 21 July 2016, 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

carclo Annual Report 2016

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