carclo

Annual Report 2015

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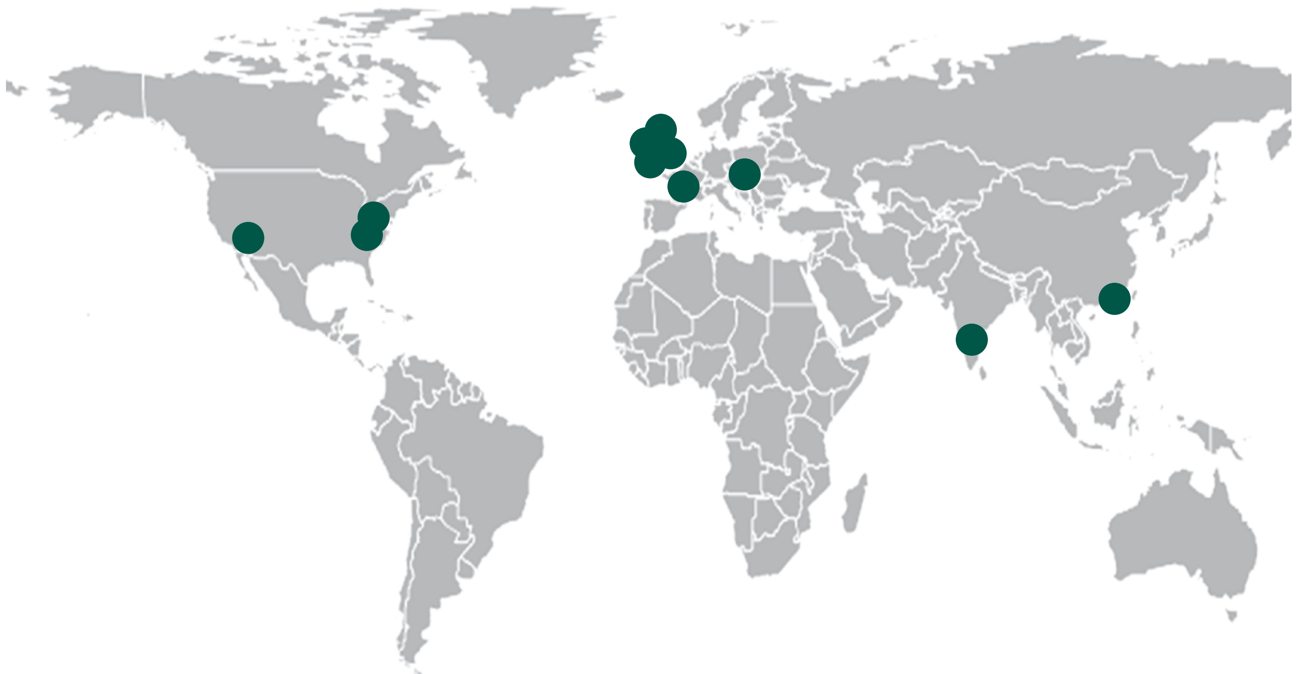
carclo plc

Carclo is a leading global manufacturer of fine tolerance parts for the Medical, Industrial, Aerospace and Luxury and Supercar Lighting markets



Global contract manufacturer to medical market

Leading supplier of control cables in Europe

Leading designer and manufacturer for luxury and supercar LED Lighting

Investing in complementary new technologies

in summary

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

Carclo's strategy is to develop and expand its key manufacturing assets where there remain significant further opportunities to drive value. To enhance profit margins and support customers the group has been investing in lower cost regions and new technologies.

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

The highlights for the year to 31 March 2015 are summarised below -

Financial Highlights	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Revenue		
Technical Plastics	64,296	58,080
LED Technologies	34,053	28,160
Precision Engineering	6,304	7,776
CIT Technology	2,850	3,251
Total	**107,503**	**97,267**
Operating profit before exceptional items		
Technical Plastics	5,351	4,615
LED Technologies	4,443	2,569
Precision Engineering	1,572	1,537
CIT Technology	(1,422)	(169)
	9,944	**8,552**
Unallocated	(2,155)	(2,001)
Total	**7,789**	**6,551**
Exceptional items	**(31,668)**	**(520)**
Operating (loss) / profit	**(23,879)**	**6,031**
Underlying* profit before tax	**7,123**	**5,291**
(Loss) / profit before tax	**(24,545)**	**4,771**
Basic earnings per share	**(33.2p)**	**5.5p**
Underlying* earnings per share	**7.9p**	**6.1p**
Total dividend per share	**2.75p**	**2.65p**
Net debt	**24,518**	**17,680**

*underlying profit is defined as before all exceptional items

- Revenue increased by 10.5% to £107.5 million, reflecting excellent sales progression across our businesses
- Divisional underlying operating profit was £9.9 million (2014 - £8.6 million) and underlying operating profit from operations was £7.8 million (2014 - £6.6 million), up 18.9% on the prior year
- Exceptional charge of £31.7 million (2014 - £0.5 million), of which £23.5 million had been provided at the half year, primarily due to £25.4 million of impairment costs in CIT Technology
- Underlying profit before tax of £7.1 million (2014 - £5.3 million), up 34.6% on the prior year
- Technical Plastics revenue, underlying profits and margins again all increased compared to the prior year
- Excellent performance by LED Technologies, driven by Wipac luxury and supercar lighting business
- Continuing investment in Carclo Diagnostic Solutions ("CDS") underpinned by further technological developments

Commenting on the results,
Michael Derbyshire, chairman said -

"The group is very well placed to continue with its growth strategy. Exiting the CIT business enables us to focus our resources on developing the significant opportunities that we have identified and we believe that, through a combination of organic investment and highly focused acquisitions, we will be able to drive the group forward over the years to come."

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 had an eventful year delivering strong underlying profit growth in its core businesses while at the same time taking the decision to exit from its CIT Technology ("CIT") operations. This strategic move will narrow the group's focus and resources onto the high performing core businesses.

In the year ended 31 March 2015 Carclo enjoyed substantial growth in revenues, which helped drive an 18.9% increase in underlying operating profits. The group has also continued to invest in its growth opportunities and this investment will provide additional capacity, operational capability and technical knowhow to enhance our competitive positioning and provide much greater certainty and visibility of revenue and profit growth going forward.

The group previously announced the closure of its CIT activities, contributing the majority of an exceptional charge of £31.7 million in the year; subsequently CIT has successfully licensed its Fine Line Technology ("FLT") patents and intellectual property rights ("IPR").

The financial highlights for the year were

- Revenue increased by 10.5% to £107.5 million, reflecting excellent sales progression across our businesses
- Divisional underlying operating profit was £9.9 million (2014 - £8.6 million) and underlying operating profit from operations was £7.8 million (2014 - £6.6 million), up 18.9% on the prior year
- Exceptional charge of £31.7 million (2014 - £0.5 million), of which £23.5 million had been provided at the half year, primarily due to £25.4 million of impairment costs in CIT
- Underlying profit before tax of £7.1 million (2014 - £5.3 million), up 34.6% on the prior year
- Loss before tax after exceptional charges of £24.5 million (2014 - £4.8 million profit)
- Underlying earnings per share increased from 6.1 pence to 7.9 pence, up 29.5% on the prior year
- Group capital expenditure was £6.3 million (2014 - £7.2 million) demonstrating an investment strategy aimed at delivering sustainable growth and increases in return on capital over the coming years
- Net debt was lower than the board's expectations at £24.5 million but, as expected, this was higher than the prior year mainly due to the unwind of the Atmel Inc. prepayment within CIT
- Committed debt facilities renewed until 2020 and increased to £30.0 million on improved pricing
- Total dividend increased by 3.8% to 2.75 pence per share reflecting the board's confidence in the future

Strategic and Operational

- In Technical Plastics, turnover, underlying operating profits and margins again all increased compared to the prior year. Business development has continued to be very successful and this will support strong revenue growth into the future. During the year, we have completed the expansions of our facilities at Latrobe, US and Brno, Czech Republic and we are now in the fit out stage for our new facility in Taicang, China. These major capacity expansions, complemented by smaller capacity increases in Bangalore, India and Tucson in the US, will drive our ability to expand this division further to support our growing global customer base. The healthcare market now represents 73.4% of this division's sales with the global market expanding at 6% CAGR, thus providing a good growth platform even before market share gains are achieved

- LED Technologies has enjoyed excellent progress with substantially increased sales and profitability. Our Wipac luxury and supercar lighting business has continued to generate large numbers of design wins which will drive high levels of growth into the future. The LED Optics business has also made good progress through the year. We are already benefitting from our investment in enhanced manufacturing, design and test capabilities and we expect this to be a catalyst for further growth

- The Precision Engineering division 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

- At CIT, the strategic review of the business resulted in the decision to close the CIT manufacturing operations. Following the year end we reached agreement with UniPixel Displays Inc. to license the FLT patents and associated IPR and we subsequently commenced the process of closing down the Cambridge facility which will be completed by the end of October 2015

- Carclo Diagnostic Solutions ("CDS") has continued to develop its disposable Point-of-Care platforms and has made good technological progress. Following a review of its intended market applications, it has been decided to focus on the most compelling commercial applications, Infectious Disease and Cardiac Care. Therefore, we have decided to cease development of the test for blood coagulation and so consequently the intangible asset recognised in respect of this by Platform Diagnostics has been impaired. Although there are still many technical and commercial challenges ahead, with a strong team in place, we expect to continue to make progress along the road to commercialisation

Dividend

The proposed final dividend of 1.90 pence per share brings the total dividend for the year to 2.75 pence per share (2014 – 2.65 pence). This represents an increase of 3.8% and further reflects the board's confidence in the future.

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.

Board Changes

Bill Tame has stepped down from the board after nine years. During that time Bill has chaired the Audit Committee with great effect and made a substantial contribution to group strategy and debate. We wish him every success in the future.

We are delighted to welcome Peter Slabbert and David Toohey to the board with effect from April 1st 2015. Peter, who is currently Chief Executive of Avon Rubber, will take up the chairmanship of the Audit Committee. David will enhance our expertise in the medical diagnostics field given many years' experience with Alere.

Outlook

Recent years have seen the group's two main manufacturing divisions expand and become increasingly more profitable as we have concentrated our focus on a sustainable growth strategy. We expect this to continue in the coming years through a combination of organic growth and targeted investments.

In Technical Plastics we have extended our global manufacturing footprint and capacity to enable us to take advantage of our strengths in our main markets with both existing and new customers. In the current financial year we will complete the fit out of our new facility in Taicang, China and this will further increase capacity and add cleanroom capability to our operation in the fastest growing global market for medical devices. While our expansion investments have been underpinned by customer awards they will also extend our ability to serve additional new customers.

We have increased our investment in LED Technologies, providing Wipac with a growth platform to expand its luxury and supercar lighting business and to exceed previous growth expectations. Wipac has developed strong partnerships with key premium automotive customers and the investment being made in ongoing technological developments will underpin further growth.

Our Precision Engineering business remains both profitable and cash generative. We are becoming increasingly active in the aerospace spares markets and these are expected to create modest growth opportunities in the future.

Encouraging and focused progress has been made on CDS's innovative Micropoc platform developments as CDS moves along the road to commercialisation.

In summary, the group is very well placed to continue with its growth strategy. Exiting the CIT business enables us to focus our resources on developing the significant opportunities that we have identified and we believe that, through a combination of organic investment and highly focused acquisitions, we will be able to drive the group forward over the years to come.

Michael Derbyshire
9 June 2015

strategic report

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principal activities, business model & strategic KPIs

Principal activities

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Business model

Our business model is to create sustainable growth on 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.

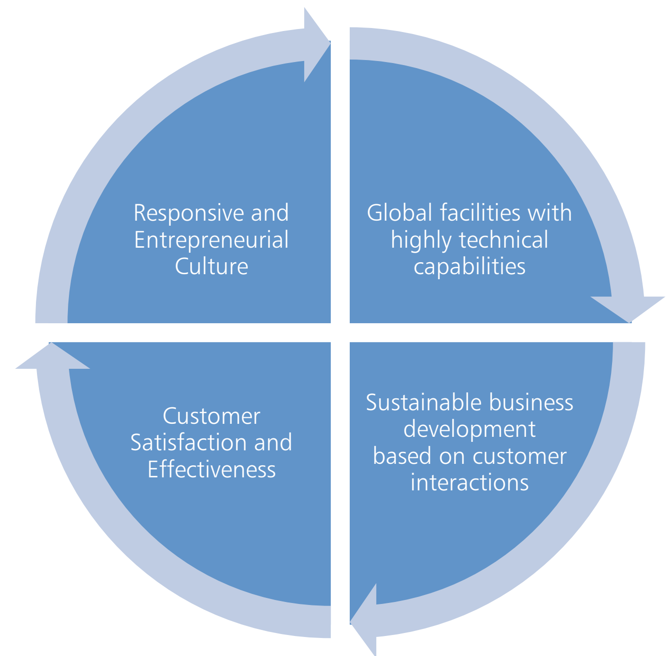
Global Footprint

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

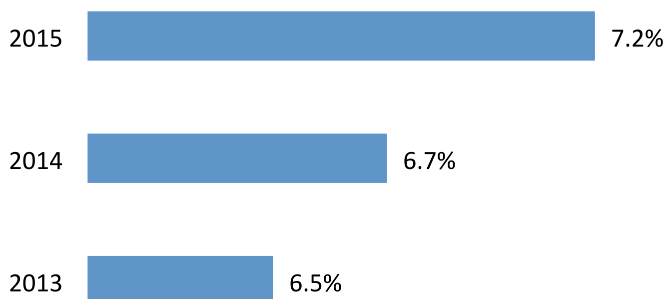
Definition and method of calculation

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 the CIT Technology segment 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 investment in.

chief executive's review

Strategy

In the year ended 31 March 2015 the group has increased its revenues by 10.5% and enhanced underlying operating profit from £6.6 million to £7.8 million. There has been an improvement in operating margins across each of our core divisions, reflecting good commercial progress, operational efficiency improvements and focused investments in high quality capacity. Our investment in facilities and equipment during the year was £6.3 million and this will provide the basis for further organic revenue growth and margin improvements over the coming years.

The board completed a strategic review of the CIT business which has concluded in a decision to exit this business. On 17th April 2015 we announced a licensing agreement in respect of our CIT intellectual property rights to a US company, UniPixel Displays Inc. This agreement has resulted in a non-refundable royalty payment to Carclo of US$4.7 million being received after the year end with further potential royalties to be received in later years.

Growth Strategy

Just over two years ago we began an expansion programme which has seen a 40% increase in investment in our Technical Plastics and LED Technologies operations, compared to the previous two years, in order to expand facilities and manufacturing capabilities. This strategy was implemented to drive the group towards a period of sustained growth. The investments that we have made have already had a positive impact on performance, although the full beneficial impact will be felt over the next two to three years.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") in the year increased from £11.2 million to £12.2 million and we anticipate that this will improve over the medium term.

A large proportion of our investment has been made in order to expand the footprint of our largest division, Technical Plastics. This investment in its facilities and the subsequent and ongoing investments in moulding and related manufacturing equipment is underpinned by further new customer wins and contracts and as such we are benefitting from an increasingly visible and secure forward order book.

Within the second largest division, LED Technologies, our flagship Wipac site in Buckingham, UK has undergone a major transformation with the addition of a range of new capabilities. These additions have positioned this business well to deal with the previously flagged influx of new design wins across its core luxury and supercar clients for its LED based automotive lighting products.

We have enjoyed another exceptionally strong year for new design awards. In addition to our investment in manufacturing capabilities, we began increasing our investment in research and development during the year and will continue to fund this into the future. From this initial work, we have started the development of several new LED based light modules that will enable us to develop increasingly collaborative relationships with these customers into the future.

We have continued to invest in our Carclo Diagnostics Solutions ("CDS") business seeking input from external advisors during the continued appraisal of our commercial plans. As a result we have decided to streamline our "exemplar" applications from four end market applications to two. We will now focus on the two applications, an infectious disease test and a coronary test, where we believe our unique quantitative disposable product is likely to gain market acceptance, have sustainable well priced revenues and a clear clinical advantage. These two applications cover both of our hardware platforms and therefore do not limit our future prospects, but will reduce our execution list. As a result of this decision, our work has moved some way from our original application areas relating to the original investment in Platform Diagnostics and as such we have impaired the intangible assets relating to this business.

Across the group we continue to see organic growth opportunities and expect to continue to invest at a rate greater than depreciation to be funded from our free cash flow. In addition, we have begun to review potential acquisition opportunities that would complement and accelerate our own organic growth prospects. We have a very clear view that acquisitions must either add complementary capabilities or shorten the timescale to secure new strategically targeted customers or additional manufacturing locations for existing customers. In delivering our growth strategy, the board is mindful of maintaining appropriate gearing levels for the group over the short to medium term.

Development of Key Performance Indicators ("KPIs")

Internally we are driven by a number of quantitative and qualitative KPIs which are tailored for each of our individual businesses and the group as a whole. We have not previously published the quantitative KPIs. However, with our new strategy firmly established, we now intend to report on our performance against these KPIs in the future. We will focus on three main KPIs covering targeted improvements in return on investment, operating margin as a percentage of sales and year on year revenue growth.

Strategic Review of CIT Technology Business

On 10th October 2014 we announced our intention to conduct a full strategic review of the CIT business following lower than expected revenues due to the much slower take-up of products from targeted customers. Traction had slowed as market pricing for touch sensors had continued to fall substantially, rapidly exposing us to margin pressures which would not have been sustainable. During the period of our strategic review we also observed further changes in the touch customer base with an increasing tendency for display manufacturers to integrate the touch sensor themselves rather than it being assembled separately by touch module manufacturers. This trend has resulted in a move away from secondary materials such as those that CIT had developed and a simplification of the touch sensor onto existing layers, such as the cover glass, in order to reduce cost. This trend further underpinned our decision to exit the business.

Whilst the touch sensor business had been our prime area of focus, we had also been evaluating a range of applications in the wider printed electronics market. Although we were always conscious that global take-up of printed electronic materials was relatively slow, the sharing of manufacturing resources with the under-utilised touch business had previously demonstrated a viable business model. With the decision to exit the touch business made, the economic case for continuing our investment in printed electronics was undermined and the business would have required a minimum of two to three years' financial support. On this basis, we determined that the Printed Electronics arm of CIT was not viable within Carclo.

We appointed two external corporate advisors to look for potential investors, one covering Europe and the USA and one covering Asia, and in addition, along with Atmel Inc. ("Atmel"), we worked with a third advisor with a focus on the existing touch supply chains and a combined transaction for our complementary touch businesses. Our work with Atmel identified UniPixel Displays Inc. ("UniPixel") as a potential acquirer and, after the year end, through a direct transaction with UniPixel, CIT licensed the intellectual property rights ("IPR") for its fine line technology ("FLT"). CIT granted an initial FLT patent license and in return is set to receive per annum royalty payments of the greater of US$1.65 million or 1.67% of annual net product sales. An initial non-refundable cash prepayment of US $4.7 million was received by CIT at completion in respect of this royalty. CIT has also granted a royalty free intellectual property license to enable UniPixel to utilise CIT's know-how for metal mesh touch screen technology. UniPixel has an option to extend both of these licenses for a further ten year term in exchange for annual royalty payments of 1.67% of net product sales. During this renewal term total cumulative royalties are capped at US$8.25 million. The maximum amount of royalties payable under both the initial and renewal agreements is capped at US$30 million. Both of the licenses are exclusive for two years in the field of metal mesh touch screens.

As part of this arrangement, we entered into a support agreement with UniPixel to supply coated film and transfer the coating technology with a termination date for any continuing support being no later than the end of October 2015. With a volume and pricing agreement in place we anticipate a breakeven operating performance during this period. At the year end we have made a full provision for the closure costs of CIT. While the outcome of our CIT venture has ultimately been disappointing, despite its development of an innovative and exciting new technology, I would like to thank all of the people involved in this business. We have gained considerable experience from this project and this will be positively applied across all of our businesses, not least our technology investment in CDS.

Business in detail

Carclo Technical Plastics

Revenue increased by 10.7% from £58.1 million to £64.3 million and underlying operating profit increased from £4.6 million to £5.4 million, with the operating margin of 8.3% up from 7.9% in the prior year moving closer to our medium term target of 10%.

During the course of the year we commenced production on a number of new customer programmes and we began utilising the extended capacity of our Latrobe, US and our Czech facilities. As a

result of the influx of new business and the transfer of existing products following the closure of our former site in Harthill, Scotland, the number of customer tool validations during the year was more than double normal levels. This stretched our technical and project management resources, but our teams have worked relentlessly to ensure that programmes have met agreed timescales. As with most new programmes of this nature, efficiencies typically reach optimum levels after around a twelve month period of manufacturing and therefore we anticipate a further contribution to margin enhancement from these programmes.

The year has seen further successes in securing additional business both from new and existing customers and such is the pace of this new business generation that we have leased additional space in our Tucson, US and Indian operations. Whilst this space has solved a short term bottleneck for us, we will develop a more long term solution for these locations over the coming financial year.

Having secured a large global healthcare client during the last year for our Chinese business, we have made excellent progress with our planned relocation from our existing Shanghai operation to our new facility in Taicang. This building is currently being fitted out with cleanroom and manufacturing infra-structure and will begin production in late 2015, with an exit from Shanghai during the months following programme transfers. We believe that our investment in Taicang will help us to enhance our presence in China, the fastest growing domestic healthcare market globally, and we are working on a number of new opportunities, mainly for international healthcare companies.

Our Mitcham, UK operation has also been successful in winning new customers, with production on a range of new programmes expected to commence at various times during the coming year. Consequently we will have space constraints within this operation and intend to transfer several existing production lines to our Czech site to rebalance capacity in Mitcham. Overall we believe that all of our existing sites are well located geographically and will serve our growth aspirations well for the next two to three years. However, we recognise that further expansion of sites or the addition of sites will be required to maintain our growth momentum.

The healthcare market represents 73.4% of Technical Plastics revenues (2014 – 69.7%) and the largest segment that we serve, medical devices, is growing at 6% CAGR. While the largest markets remain North America and Europe, the fastest growing is China with a growth rate of 19% CAGR.

The main growth drivers are ageing populations, developing economies and continued innovation in creating new therapies. The skills and expertise of our businesses are centred on the manufacture and supply of intricate and high precision plastic injection moulded parts and therefore the focus of our business is on the Clinical Diagnostics therapeutic area where growth is broadly in line with the overall medical device market. Within each therapeutic area of the market, a small number of healthcare clients normally dominate the market, with five companies normally claiming 75% market share. Whilst this represents a relatively small group of potential major clients, this focused market enables significant growth potential from existing customers and also means that entry into one of the top five clients can deliver a material opportunity beyond the initial programmes that may have been won. Our strategy of focusing on one or two similar, overlapping therapeutic areas where our offering is relevant and targeting the major clients within these areas will potentially drive much stronger rates of growth than the overall market.
Our customer base is looking for innovation and ongoing efficiency development from our relationships but rarely do they look for us to add a wider product capability or desire to see us as a "one-stop" vendor crossing therapeutic areas. Instead they prefer to find specialists in each area of supply and optimise their supply base accordingly to have between two and four vendors in each area of specialism. Their motivation is to have a reliable vendor who continues to innovate to improve the overall product offering and to drive down costs both from a supply perspective as well as through their own efficiency improvements. Our traction in this environment is increasing as we improve our flexibility, willingness and ability to meet their expectations. We remain very close to our largest healthcare customers and see ongoing opportunities to improve our existing share of their business whilst improving operating margins.

The balance of our Technical Plastics revenue is derived from industrial, electronic and automotive markets where complex and intricate parts require capabilities beyond the normal trade moulder. These are usually parts associated with gears, optical components and small and complex connectors. This revenue is predominantly centred on a small group of customers and is mainly served from our low cost, Czech, Indian and Chinese operations. Unlike our healthcare facing business, the product lifecycles are normally shorter, but the complexity of manufacturing typically results in margins at equivalent levels. We continue to increase market share with our existing clients as we focus on customer service and run our low cost operations at the same standards as those in the US and UK. This business model will continue to generate further revenue growth and we expect our revenues in the non-healthcare sector to grow as fast as healthcare over the medium term.

We stated last year that we were very well placed to enjoy an extended period of high growth and margin enhancement across all of our facilities and we continue to expect this to be the case. Future visibility remains strong and with multiple new programme wins expected to come on stream at various points during 2015, we remain confident in our aspiration to continue to grow the division's revenue at around 10% per year over the medium term.

LED Technologies including Wipac

Revenue in LED Technologies improved by 20.9% from £28.2 million to £34.1 million and operating profit increased from £2.6 million to £4.4 million, with the operating margin improving to 13.0%. The majority of revenues 69.2% (2014 – 66.0%) came from our Wipac business, which specialises in the design and manufacturing of lights for luxury cars and supercars. The balance comes from the sale of aftermarket automotive lighting products and LED optic components sold to integrators for use in domestic, industrial and architectural lighting applications.

Wipac has further built on the previous year's performance by securing a significant number of new vehicle lighting programmes and these, together with the multiple programmes awarded in the prior year, have driven the unprecedented growth in this business. These new programmes typically consist of two phases - the first, a two to three year design, tooling and prototyping period followed by a second phase of supplying lamps through the vehicle's lifetime. Each new contract varies in its scale and development timeline, but in some cases we have a higher annual revenue during phase 1 of this supply. The market for premium vehicles has been transformed

over the last few years as OEMs, using flexible platforms, have embarked on a radical change in their business model by implementing a strategy of a much wider vehicle range offering.

The life cycle for premium vehicles is typically longer than for mass market vehicles which means that longer supply contracts, averaging around 7 years, can be secured. Lighting has become one of the key design differentiators and even modest facelift programmes typically result in a complete change of lighting styling. There has been a general shift towards LED from bulb technologies and this has enabled Wipac to operate on a level playing field versus our larger competitors with our business focused on low volume lamp production using modular manufacturing production lines.

Overall the wider industry of mass market vehicles is following the same trend as our markets and as such the whole lighting sector is enjoying record numbers of new design programmes and the business we have secured, give us very strong visibility of revenues through the next few years. We have created our own unique market position and have focused our efforts to promote our differentiating factors to the industry. Our design flair, paired with our ability to provide a more flexible end to end solution to customers and our willingness to design every project in a customised manner, enables our customers to start from a clean sheet of paper with their designs and receive the flexibility from us throughout the process in a manner which is not standard in the wider industry.

We have also continued to invest in our manufacturing and prototyping capabilities in order that we can offer equivalent technologies to our competitors in areas such as multiple shot moulding, bonding methods and coating and finishing processes. Our ability to meet all of our customers' manufacturing and quality expectations has driven strong and sustained audit ratings for the business and this continues to allow us to develop our reputation and foothold within this demanding customer base.

In order that we are able to continue to support our customers, we have increased investment in research and development activities as well as enhanced metrology and testing capabilities. Technology does not stand still in this sector and we are developing solutions which will support vehicle programmes during the next decade, often hand in hand with some of our customers. As an example of our confidence in the future, we will be opening the only UK drive-in lighting test centre in 2015 to support the development needs of both our business and our customers.

We have restructured our LED Technologies operations during the year to free up additional manufacturing space and to increase focus on lighting activities. This has seen us relocate all of the Wipac aftermarket activities within our Aylesbury optics business and at the same time, successfully relocated all of the standard optics manufacturing from our Harthill factory to our Technical Plastics factory in the Czech Republic and our larger OEM optics from Harthill to the Wipac factory. Our Optics business grew by 24.9% in the year and we have begun developments with a range of OEMs that we believe can continue to drive further growth.

Precision Engineering

Revenue increased from £6.2 million to £6.3 million (adjusting for the Birkett Cutmaster disposal last year) and operating profits improved slightly to £1.6 million, with an operating margin of 24.9%, up from 24.6% last year. At the start of the year the business secured further spares work from its largest OEM customer and this fixed size programme will successfully complete towards the end of 2015. This package replaced the one time contract mentioned last year and was of a similar size. We are working, together with our largest OEM customer, on further potential spares contract tenders. The business also has a number of growing relationships with several Tier 1 suppliers which have so far resulted in it winning some small initial programmes which were designed to evaluate our performance. We believe that we are well positioned to enjoy modest growth in this business through the continuation of solid build rates for OEM parts and also through our improving prospects in the general commercial aviation spares market. The growth in our revenues from machined spares has, for a number of years, offset the decline in our control cable business. This results from the retirement of aircraft using this technology versus the modern fly by wire equivalent and will remain a feature of this business. Precision Engineering continues to be very cash generative.

Carclo Diagnostic Solutions

We have continued to make good progress in the development of our CDS business during the course of the year. We have successfully implemented more rigorous plans, are working towards ISO13485, the medical device quality standard, and have a much broader development team with more focused resourcing. During the year we have added general and project management, material science, and fluidic skills to our existing biochemistry and engineering capabilities. Significant progress has been made in all technical aspects of the development required for commercialisation in this field. From a technical perspective we have now developed significant knowledge in the core micro fluidics approaches and have combined this with a large number of optimisation steps in material selections, surface modifications and chip assembly design for both our micropoc PRO and CAT platforms. We are now able to undertake more rigorous assay development work due to our devices having a more reliable and consistent performance.

We have continued to focus on market opportunities and have maintained external advisor input into our technical and commercial direction. Last year we laid out a roadmap that was focused on developing four exemplar applications, each capable of being adopted in its own right, but with a business model always aimed at creating platform technologies suitable to a wider range of applications. Our exemplar applications were selected based on a combination of historical engagements, in the case of blood coagulation and pi-GST which were technically well suited to our products, together with the addition of two high demand areas being CRP (an infectious disease marker) and Troponin-I (a cardiac care marker).

The majority of work in the year has been focused on the hardware development and this had been predominantly independent of any of the four test areas. Towards the end of the year our plan was to increase our focus back towards each specific application area with our platforms having now been made significantly more robust. Prior to embarking on further specific applications work, we undertook a further independent review of the applicable markets considering estimated take-up rates with detailed analyses of motivations including any clinical advantages, NHS and US insurance pricing, and overall market sizes.

As expected the pi-GST application was a very small market and as such never represented an important potential revenue stream. Blood coagulation was found to represent the largest market overall but it is a well-served and mature market which already has an established solution. So, with the market already well invested with existing platforms, we do not see the clinical or commercial motivations to use our product as being compelling. Based on this analysis, we have concluded that we will no longer pursue either of these applications, though we will still use the pi-GST development as a data generator as it was the most advanced in that regard. In contrast, the analysis of Infectious Disease (CRP) and Cardiac Care (Troponin-I) markets provided compelling motivations to continue these applications as not only are market size, likely market take-up and pricing high, but we have specific clinical advantages versus known competitive offerings. As such we have directed our focus and resources solely to these applications, and whilst we are not changing our timeframes for commercialisation, we feel that the risk of missing those deadlines is reduced with resources focused on fewer applications.

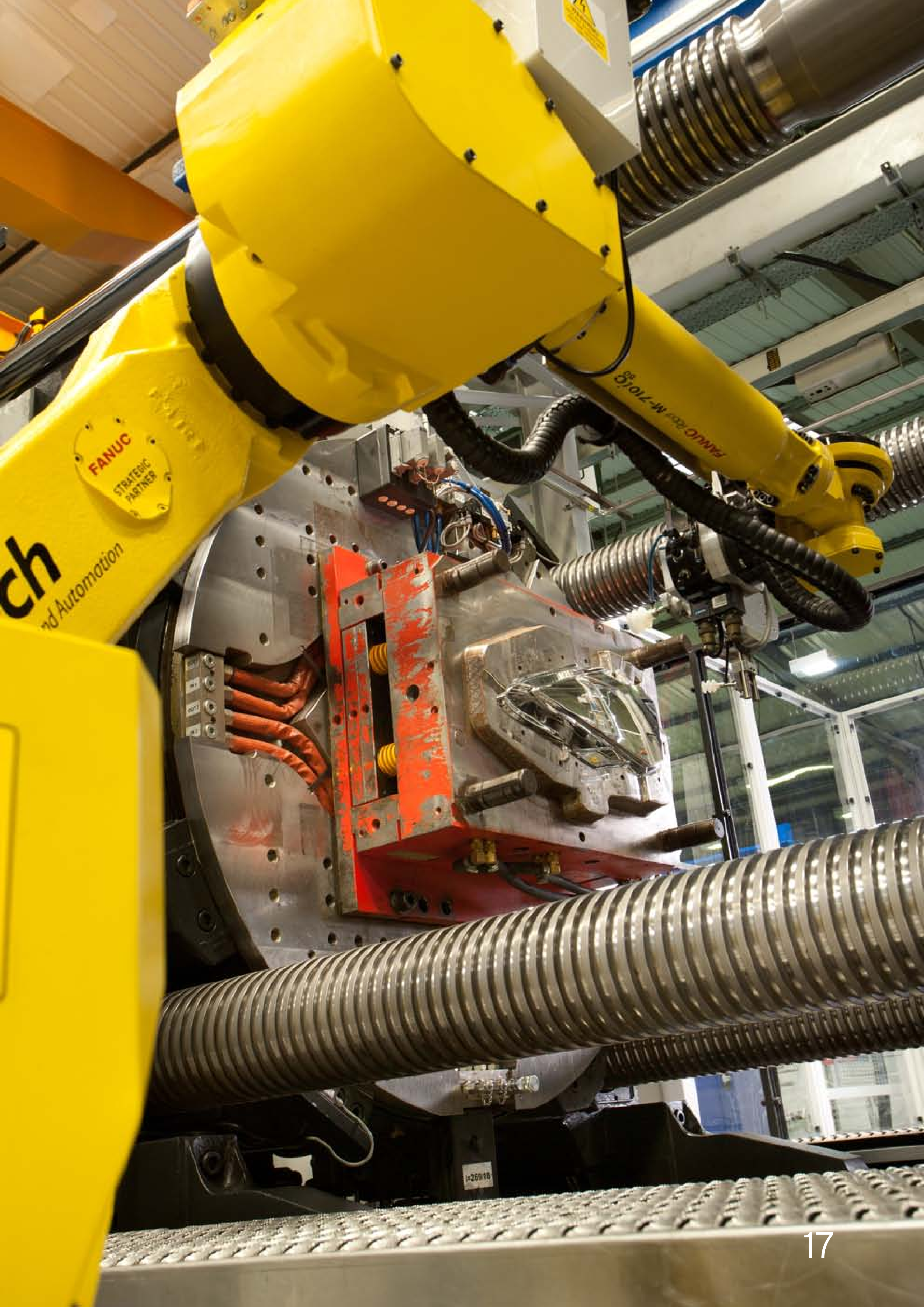
With the cessation of activities for blood coagulation test development, the previous investment in Platform Diagnostics ("PDL") is no longer relevant to the current CDS business strategy and as such we have decided to fully impair the intangible asset and goodwill relating to this business. This has resulted in an exceptional charge in the year of £2.8 million.

Despite this impairment in PDL, our confidence in our CDS investment has increased during the year and, whilst there remain technical and commercial challenges, with a very strong team now in place, we expect to continue to make progress towards full commercialisation.

Conclusion

The group has returned a strong operational performance during the year and taken a number of clear strategic decisions as to the areas of market focus that will drive optimal shareholder returns, supporting these decisions with appropriate investment. We see encouraging opportunities for the group and look forward to delivering continued good progress this year and beyond.

Chris Malley
9 June 2015


FANUC
STRATEGIC PARTNER

finance director's review

Financial summary

	2015 £million	2014 £million
Revenue	107.5	97.3
Divisional underlying* operating profit	9.9	8.6
Unallocated costs	(2.1)	(2.0)
Underlying operating profit	7.8	6.6
Exceptional items	(31.7)	(0.5)
Net bank interest	(0.7)	(0.6)
IAS 19 net financing credit / (charge)	0.1	(0.7)
(Loss) / profit before tax	(24.5)	4.8
Income tax credit / (expense)	1.7	(1.2)
Loss on discontinued operations	(0.0)	(0.0)
(Loss) / profit attributable to ordinary shareholders	(22.8)	3.6
Ordinary dividend paid or declared	(1.7)	(1.7)
(Deficit) / surplus for the year	(24.5)	1.9
Divisional underlying* operating margin from continuing operations	9.2%	8.8%
Basic earnings per share	(33.2p)	5.5p
Underlying earnings per share	7.9p	6.1p

*underlying profit is defined as before all exceptional items

Group sales in the financial year were £107.5 million (2014 - £97.3 million). Excluding turnover in CIT Technology, group sales were £104.7 million (2014 - £94.0 million). The increase in turnover was due to strong revenue growth in both Technical Plastics and LED Technologies. Technical Plastics generated revenues of £64.3 million (2014 - £58.1 million) and LED Technologies increased revenue significantly to £34.1 million (2014 - £28.2 million). Our Precision Engineering division reported a similar turnover to the prior year, after excluding revenue in respect of Birkett Cutmaster, which was disposed of at the end of the March 2014.

Divisional underlying operating profit was £9.9 million (2014 - £8.6 million) and underlying operating profit was £7.8 million (2014 - £6.6 million). Unallocated costs were £2.1 million (2014 - £2.0 million) and included head office administration costs and expenditure relating to the administration of the group pension scheme which totalled £0.65 million (2014 - £0.65 million). As previously reported, the second half of the financial year saw much stronger performances from both Technical Plastics and LED Technologies.

The total exceptional charge for the year was £31.7 million and analysis of this is set out the below:

	Total charge to income statement £million	Cash cost in 2015 £million	Cash cost in future years £million
Impairment of intangible & tangible assets of CIT Technology and costs and provisions in respect of the closure of the business	25.4	0.3	1.7
Impairment of intangible assets of Platform Diagnostics	2.8	-	-
Rationalisation costs in respect of the closure of the Harthill, Scotland facility	3.1	1.4	0.3
Other	0.4	0.1	0.3
Total	31.7	1.8	2.3

The group loss before tax was £24.5 million (2014 – profit before tax of £4.8 million).

Net bank interest was £0.7 million (2014 - £0.6 million) reflecting the group's higher average level of debt during the year. There was a minimal pensions financing credit under the provisions of IAS 19 (2014 – charge of £0.7 million) reflecting the small pensions surplus as at 31 March 2014.

The group tax credit for the year was £1.7 million (2014 – charge of £1.2 million). The underlying tax charge (excluding exceptional items) was £1.9 million and this equates to an effective tax rate of 26.9%; this is higher than the current UK corporation tax rate due to a large proportion of the group's profits being earned in countries with higher tax rates.

The underlying earnings per share was 7.9 pence (2014 – 6.1 pence).

finance director's review
CONTINUED

Net debt and gearing

	2015 £million	2014 £million
Underlying cash flow	6.5	7.3
Interest and tax	(1.4)	(1.4)
Capital expenditure	(6.6)	(7.5)
Free cash flow	(1.5)	(1.6)
Pension payments	(1.0)	(1.0)
Non-recurring	(1.8)	(0.6)
Proceeds from issue of share capital	0.1	0.4
Performance share plan awards	-	(0.9)
Equity dividends	(1.8)	(1.7)
Cash flow from corporate activities	(6.0)	(5.4)
Development expenditure	(1.3)	(3.5)
Acquisitions and disposals	(0.0)	(0.0)
Foreign exchange movement	0.5	0.4
Increase in net debt in year	(6.8)	(8.5)

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

Group debt increased to £24.5 million at 31 March 2015 (2014 - £17.7 million). This represents gearing of 48.0% (2013 – 23.7%) excluding the net pension deficit of £12.1 million (2014 - net pension surplus of £0.2 million). Year end debt was lower than expected due to payments in respect of key fixed asset investments falling into the current financial year. Operating cash generation before working capital was £9.6 million; however, group working capital increased by £6.1 million due to a combination of growth in our businesses and the reduction of the prepayment received from Atmel Corporation at the end of the 2013 financial year.

Group capital expenditure in cash terms was £6.6 million (2014 - £7.5 million) representing 182% of the total group depreciation charge (2014 – 200%). The majority of capital expenditure was incurred in Technical Plastics and in particular the facility expansion in Latrobe, US and the capacity expansion in Brno, Czech Republic. In addition, the group invested significantly to increase capacity in the Wipac facility in Buckingham, UK which is part of the LED Technologies division.

Pension contributions of £1.0 million (2014 - £1.0 million) were made during the year in respect of the recovery plan agreement with the pension scheme trustees. The group also paid the pension scheme administration costs of £0.65 million (2014 - £0.65 million).

Non-recurring expenditure of £1.8 million primarily relates to the cash costs of closing of the Technical Plastics facility in Harthill, Scotland.

Development expenditure of £1.3 million (2014 - £3.5 million) was capitalised during the year and this relates primarily to Carclo Diagnostic Solutions ("CDS").

Group debt is expected to reduce during the current financial year due to a combination of stronger operating cash flows and the net cash benefit of the closure of CIT Technology. Given the group's projected capital expenditure and working capital profile, this reduction in group debt is expected to occur during the second half of the financial year.

Financing

As at 31 March 2015 the group's net debt was £24.5 million (2014 - £17.7 million).The group had total bank facilities of £40.8 million which included committed facilities of £30.0 million, of which £29.7 million was drawn as at 31 March 2015, and overdraft facilities of £10.8 million.

At the end of the financial year the group agreed a new medium term multi-currency revolving loan facility totalling £30.0 million with HSBC. This facility, which will expire in March 2020, is more competitively priced than the previous facilities and the covenant terms remain broadly the same.

The two main covenants in the facility agreements are interest cover and the ratio of net debt to Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") and the group had a very comfortable level of headroom on both of these covenants as at 31 March 2015. Under the facility agreements, the group's banks have 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 2015 the group pension scheme had a deficit of £9.7 million net of deferred tax (2014 – surplus of £0.2 million) as calculated under IAS 19. The defined benefit pension liability increased significantly to £201.1 million (2014 - £183.6 million) mainly due to the material decrease in the corporate bond yield used to discount the scheme liability. The fair value of the plan assets increased to £189.0 million (2014 - £183.8 million). The trustees of the pension scheme have revised the investment strategy and consequently a substantial part of the investment portfolio is now held in diversified growth funds.

The cash cost of the pension scheme to the group was £1.7 million during the financial year. This includes the annual recovery plan contribution of £1.0 million and scheme administration costs of £0.65 million. The recovery plan contribution was part of the plan agreed with the trustees subsequent to the scheme triennial valuation at 31 March 2012. Under this plan, annual contributions will remain at around £1.0 million (indexed annually at 2.9%) for the remaining recovery plan period of 12 years from 31 March 2012. The next triennial valuation date is 31 March 2015 and the group expects to agree a new recovery plan with the trustees later this year. At 31 March 2015 group properties with a net book value of £5.4 million were subject to a registered charge in favour of the group pension scheme.

Capital reorganisation

During the year the company undertook a capital reorganisation process to cancel its share premium account of £21.4 million and its capital redemption reserve of £1.3 million, in order to augment its distributable reserves and so enable future dividends to be paid. A shareholder circular containing details of this process was published and sent to shareholders in February 2015 and the capital reconstruction was subsequently approved by them. Following this, the High Court of Justice in England and Wales confirmed the reduction of the company's share premium account and capital redemption reserve under section 648 of the Companies Act 2006 and the capital reorganisation thereby became effective.

CIT Technology ("CIT")

CIT reported revenues of £2.8 million (2014 - £3.3 million) and an underlying operating loss of £1.4 million for the year (2014 – loss of £0.2 million) after an amortisation charge of £0.6 million (2014 - £0.8 million). This amortisation charge was in respect of the first half of the financial year before commencement of the strategic review and the subsequent impairment of CIT's intangible assets.

As reported in the group's interim results statement, as part of the strategic review of CIT the board conducted an impairment review which resulted in the write down of the intangible and tangible fixed assets of CIT of £21.3 million, leaving a carrying value of the CIT investment of £5.3 million.

As at 31 March 2015 this carrying value has been further reduced to £3.1 million and this reflects the fair value of the recently announced licensing agreement with UniPixel Inc. ("UniPixel") less associated costs. Under the licensing agreement with UniPixel, CIT granted an initial patent license for its fine line technology and will receive per annum royalty payments 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 and this has been booked in the year ending 31 March 2016 as exceptional trading income. The remaining intangible asset relating to CIT will be impaired against this such that the remaining carrying value in respect of CIT's intangible assets is expected to be minimal.

Carclo Diagnostic Solutions ("CDS") and Platform Diagnostics ("PDL")

In the financial year the group incurred £0.9 million of development costs (2014 - £1.1 million) in respect of CDS and these costs have been capitalised on the group balance sheet. As at 31 March 2015 the total fair value of intangible assets relating to the group's investment in CDS was £3.5 million.

Given the cessation of work on the blood coagulation test development and the board's conclusion that the majority of patents held by Platform Diagnostics Limited now have limited use, the group has impaired the carrying value of its investment in PDL. Previously the group reported £2.8 million in its balance sheet in respect of the intangible assets relating to PDL, consisting of £2.3 million of development costs and £0.5 million of goodwill, and this has been fully provided.

Robert Brooksbank
9 June 2015

directors' review of the 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 key risks in the corporate risk register, which is consolidated from registers within the business segments. The main 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.

Reliance on major customers

The proportion of revenues generated from the top five customers in the year was 47.9% (2014 – 48.8%). One medical customer accounted for 22.8% of revenues (2014 – 22.8%) and one supercar customer accounted for 13.0% of revenues (2014 – 12.4%). 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. 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.

Innovation and investment in new technologies

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

- Carclo Diagnostic Solutions ("CDS")
- soluble polymers

These innovations and the development of new technology require a significant level of time and investment to advance the technology to a commercially viable application. During the year Carclo continued to invest in the development of CDS.

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

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

Pensions

Carclo's 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 £189.0 million at 31 March 2015 (2014 - £183.8 million).

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

A triennial valuation of the scheme was undertaken as at 31 March 2012 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 £1.0 million to be made commencing 31 October 2013 for a period of 12 years.

The group elected to cease future accrual with effect from 1 October 2010 with all members being invited to join the scheme's defined contribution scheme. All new eligible employees are also given the opportunity to join this scheme.

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.

directors’ review of the risks faced by the group CONTINUED

Funding and banking covenants

Medium term committed bank facilities have been agreed which include a number of financial covenants which are normal for facilities of this type. Whilst there is currently good headroom on the covenants, the board continue to monitor the forecast position monthly in order to ensure that adequate headroom is maintained. The facilities 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, 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, whereby sales revenues and costs in each currency across the group as a whole are matched as far as is practicable. The mismatch of transaction flows is small in the context of the total group revenues.

The group’s policy is to hedge the major overseas assets by equivalent currency borrowings so that the balance sheet is not exposed unduly to significant fluctuations in currency. This is balanced against any associated treasury inefficiency associated with excessive currency borrowings. At 31 March 2015 the group had term loan borrowings of US $10.6 million which are being used to hedge the assets held in the USA and €7.5 million which are used to hedge the assets in France and the Czech Republic.

Further details on the group’s foreign currency exposures can be found in note 26 of the report and accounts.

Information technology

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

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

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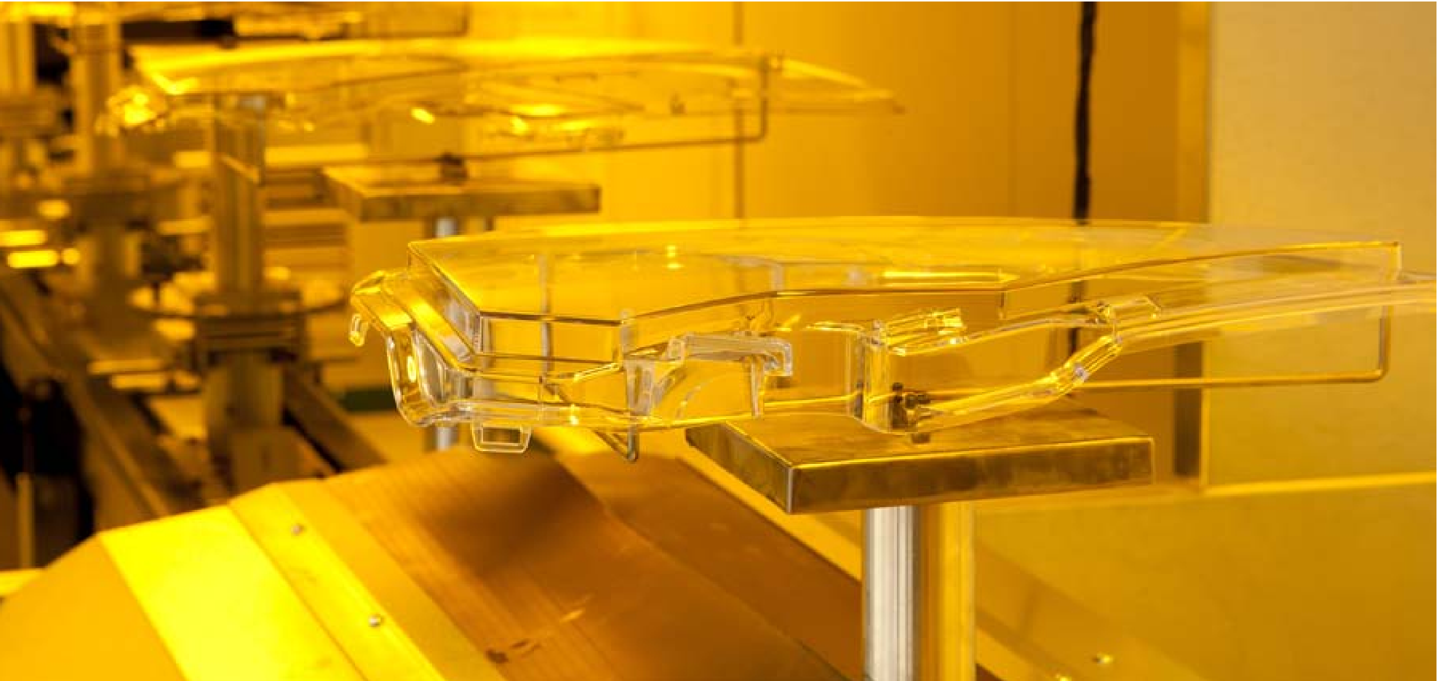
social responsibility report



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 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 2015 31% of our employees identified as female.

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 2015 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:

	2015	2014
Emissions from:		
Combustion of fuel and operation of facilities (tCO2e)	2,073	1,345
Electricity purchased for own use (tCO2e)	18,092	15,273
Total (tCO2e)	20,165	16,618
Group revenue (£ million)	107,503	97.267
Intensity ratio (tCO2e per £1 million of revenue)	187.6	170.8

An operational control methodology has 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
9 June 2015

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

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone 0871 384 2030

Corporate Brokers

Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

David Toohey
Richard Ottaway
Chris Malley
Peter Slabbert
Michael Derbyshire
Robert Brooksbank
Robert Rickman

External auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Internal auditors

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Bankers

HSBC Bank plc

Solicitors

Addleshaw Goddard
P O Box 8
Sovereign House
Sovereign Street
Leeds
LS1 1HQ

Registered office

Springstone House
P O Box 88
27 Dewsbury Road
Ossett
WF5 9WS

Telephone 01924 268040
Facsimile 01924 283226
Website: www.carclo-plc.com
E-mail: investor.relations@carclo-plc.com

Registered Company Number: 196249

governance

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directors' report

The directors submit their ninety second annual report together with the accounts for the year ended 31 March 2015

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 "Strategic development" and "Operating review" sections of the chief executive's review and the "Financial summary" section in the finance director's review on pages 6 to 19. The directors' review of risks faced by the group is detailed on pages 22 to 25. The chairman's statement, chief executive's review, finance director's review, statement of corporate governance, directors' remuneration report and directors' review of risks faced by the group are each a part of the directors' report.

Profits and earnings

The loss of the group before taxation after charging net interest of £666,000 (2014 – £1,260,000) amounted to £24,545,000 compared with a profit of £4,771,000 for the previous year. After taxation the loss per ordinary 5 pence share was 33.2 pence compared with a profit of 5.5 pence for the previous year.

Share capital and authority to purchase shares

At 31 March 2015, the company's issued share capital comprised 66,189,142 ordinary shares of 5p each. Details of the changes in issued share capital during the year are set out in Note 24 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 2014 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 2015.
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 22 May 2015 -

	31 March 2015	22 May 2015
Schroders PLC	8.61%	8.71%
Henderson Global Investors	8.26%	8.11%
Aberforth Partners LLP	7.88%	7.88%
Old Mutual Global Investors (UK) Limited	4.17%	4.44%
Standard Life Investments Limited	3.95%	3.59%
Hargreave Hale Limited	3.90%	4.14%
Barclays Wealth	3.84%	4.02%
The National Farmers Union Mutual Insurance Society Limited	3.74%	3.92%
Cavendish Asset Management Limited	3.60%	3.60%
BlackRock Investment Management (UK) Limited	3.50%	4.38%
Hargreaves Lansdown Asset Management	3.45%	3.45%
Redmayne-Bentley LLP	3.16%	3.18%
M&G Investment Management Limited	3.03%	2.96%
Legal & General Asset Management Limited	3.00%	3.00%

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
Bill Tame	Non executive director (retired on 31 March 2015)
Robert Rickman	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 67

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 49

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. He is a non executive director of blur Group plc.

Chris Malley Age 48

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 57

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 52

Appointed as a non executive director from 1 April 2015. Chief Executive of Avon Rubber plc since April 2008. 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 58

Appointed as 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. He has been an Independent Non-Executive Director at EKF Diagnostics Holdings plc since August 2014.

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 2015 ("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 2015 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 2015. 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 1.90 pence be paid (2014 – 1.80 pence), making a total dividend for the year of 2.75 pence (2014 – 2.65 pence).

Subject to shareholder approval, dividend payments will be paid on 2 October 2015 to shareholders on the register at close of business on 28 August 2015. The shares will be traded excluding the right to the dividend from 27 August 2015.

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 2015.

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 £1,103,152 nominal amount (equivalent to one third of the present issued ordinary share capital as at 9 June 2015).

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 £165,473 in nominal amount for cash (being approximately 5% of the current issued ordinary share capital as at 9 June 2015 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 6,618,914 shares (being approximately 10% of the present issued share capital of the company as at 9 June 2015);
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 2016 or, if earlier, at the conclusion of the company's annual general meeting to be held in 2016.

There were outstanding at 9 June 2015, options to subscribe for 90,000 ordinary shares, representing 0.14% of the current issued share capital. If the full share purchase authority was utilised, the options outstanding would represent 0.15% 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 2014 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 77 to 79 and the authorities would last until the annual general meeting in 2016 or on 1 December 2016 whichever is the earlier.

The directors believe that the adoption of all the resolutions set out in the notice of meeting dated 26 June 2015 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
9 June 2015

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 2012 UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council. 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 two other non executive directors. One non executive director retired at the end of the year and two new non executive directors were appointed on 1 April 2015. 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 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 W Tame 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 until his retirement on 31 March 2015. Since this date the board have appointed P Slabbert as senior independent non executive director.

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	4	4	3	3
W Tame	10	10	4	4	3	3
RJ Rickman	10	10	4	4	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 2015, 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, board performance and appointment of new non executive directors.

A rigorous and transparent process was in place for the appointment of the two new non executive directors. An external search consultant, Korn Ferry, which has no other connection with the group assisted with the process.

Remuneration Committee

The company has established a Remuneration Committee consisting entirely of independent non executive directors including the group chairman.
The Remuneration Committee met four 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.

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 W Tame who, as finance director of Babcock International Group plc until his appointment as the chief executive of Babcock's international division in August 2014, had both recent and relevant financial experience. Following his retirement on 31 March 2015 the Committee will be chaired by P Slabbert who is a Chartered Accountant and who was the former group finance director of Avon Rubber plc until his appointment as chief executive in April 2008. 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 2015, 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 3 September 2015 can be found in the notice of meeting on pages 106 to 108.

Structure of company's capital

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

Approved by the board
on 9 June 2015
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 W Tame who, as finance director of Babcock International Group plc until his appointment as the chief executive of Babcock's international division in August 2014, had both recent and relevant financial experience. Following Mr Tame's retirement P Slabbert has been appointed as chairman of the Audit Committee from 1 April 2015. He is a Chartered Accountant and former group finance director of Avon Rubber plc and the board are satisfied that he has sufficient recent and relevant experience 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 25 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 2015, such issues included the impact of changes in accounting standards, the treatment of exceptional items 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 CIT Technology, Carclo Diagnostic Solutions and Platform Diagnostics 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. An impairment review on the balance sheet carrying value of CIT Technology, Carclo Diagnostic Solutions and Platform Diagnostics utilising discounted cash flow forecasts was also considered. In the cases of CIT Technology and Platform Diagnostics the Committee is satisfied that the asset values were no longer supported and that the tangible and intangible assets and goodwill of both businesses should be impaired. In the case of Carclo Diagnostic Solutions the Committee is satisfied that the asset values and capitalisation in the year is supported.

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 2015 is £19.1million 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 £201.1 million and assets of approximately £189.0 million as at 31 March 2015. 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 classification of exceptional costs. The level of exceptional costs in the year has been high at £31.7 million. These numbers are significant to the group's results as a whole and the Audit Committee seeks confirmation that these are correctly determined and disclosed.

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 has completed five annual audits and consequently will be rotated prior to the next audit. The Committee is aware of the relevant proposals for auditor rotation and will monitor any legal or regulatory developments. There is no present intention to conduct an audit tender.

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 2015 and the nature of the non-audit services provided appear in Note 3 on the accounts. Non-audit fees totalled £0.01 million. 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 3 September 2015.

Peter Slabbert
Chairman of the Audit Committee

9 June 2015

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. This year, we have adopted the new disclosure requirements under the UK Government's reforms on directors pay.

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 last 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 2015 and how the policy will be operated for the year to 31 March 2016.

At the forthcoming AGM on 3 September 2015, the Annual Report on Remuneration will be subject to an advisory shareholder vote. The Directors' Remuneration Policy was approved by our shareholders at the 2014 AGM and will be subject to a binding vote every three years (sooner if changes are made to the policy) and the Annual Report on Remuneration will be subject to an annual advisory vote.

2015 – 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.

Previous peer company comparisons and advice from Kepler Remuneration Consultants had shown that executive director salaries and bonus arrangements were not market competitive. This was addressed in 2013 in the service contract agreed on CJ Malley's appointment as chief executive and by above inflation increases in RJ Brooksbank's salary at both 1 April 2013 and 2014. Annual bonus potential was also increased for 2014 from 50% to 100% for the chief executive and from 40% to 75% for the finance director. It has become apparent that executive director salaries have once more fallen below lower quartile comparisons and this situation will be reviewed again next year.

Our executives performed well against their own stretching individual performance targets and earned a bonus for their performance. However, due to the impairment of the intangible and tangible assets of the business in the year the committee has taken the decision to restrict the portion of the bonus payment relating to underlying operating profit to 70% of the maximum payable.

There was zero vesting in relation to the 2012 Carclo PSP award.

Remuneration policy for 2016

The Remuneration Committee continually reviews 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.

The Committee's most recent conclusions are that the senior executive remuneration policy is appropriate and should continue to operate for 2016 without major changes.

Specifically, the Committee concluded that;

- Basic salary levels will be further reviewed for the next financial year as discussed above;
- The structure and quantum of the annual bonus is appropriate and aligned to shareholders' interests; For 2016 the proportion of the annual bonus potential to be measured against individual performance targets will be reduced from 37.5% to 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, provides 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 claw back 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
9 June 2015

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 2015; scheme interests awarded during the year; and, directors' shareholdings and share interests.

Directors' Remuneration Policy (restated from 2014)

Consistent with legislation, the Directors Remuneration Policy Report, the policy for 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 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 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 2016 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 2015 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

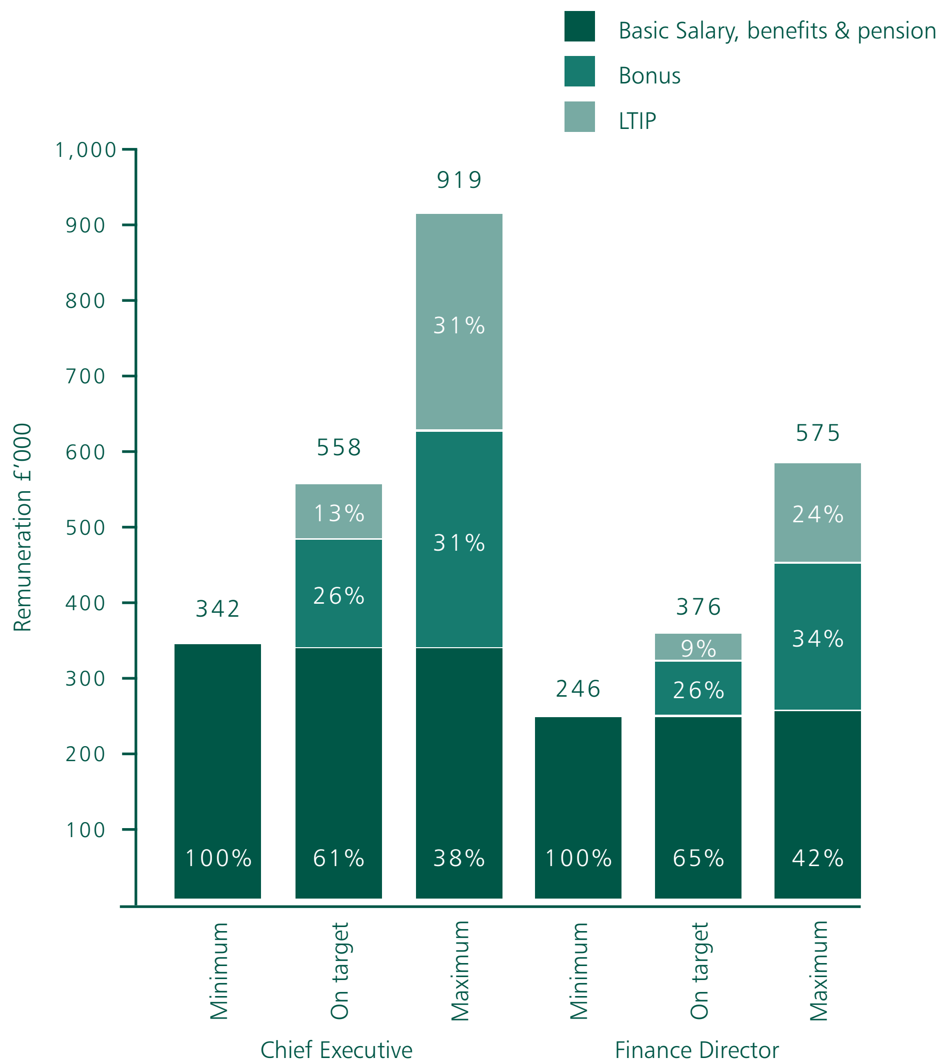
Remuneration Policy for the chairman and non executive directors

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", "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 2015 Benefits measured as paid in 2015 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	289	13	40	342
RJ Brooksbank	194	13	39	246

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. As reported last year, a Growth Share Plan ("GSP") was introduced at CIT Technology ("CIT") in 2010 to incentivise three of the subsidiary's senior executives to maximise CIT's value. Proceeds from the GSP would be based on the value of CIT as crystallised by a sale or listing event or when triggered by the company exercising its call option to acquire the participants' CIT shares. One of the three CIT participants was CJ Malley, now chief executive of Carclo plc. This scheme has now been wound up with the participants receiving the nominal value of £1 for their shares.

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. With the agreement of the board, he retained fees for this work of £20,000 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
CJ Malley	Chief executive	27 March 2013	12 months	12 months
RJ 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
MJC Derbyshire	28 September 2012	To 2015 AGM	1 January 2006	4 September 2014
RJ Rickman	28 June 2012	To 2015 AGM	1 July 2012	4 September 2014
P Slabbert	1 April 2015	To 2018 AGM	1 April 2015	To be elected at AGM on 3 September 2015
D Toohey	1 April 2015	To 2018 AGM	1 April 2015	To be elected at AGM on 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 2015

The following section provides details of how Carclo's remuneration policy was implemented during the financial year ending 31 March 2015.

Remuneration Committee membership in 2015

The Remuneration Committee comprises all non executive directors and the group chairman and is chaired by R J Rickman. The committee met four times and individual committee members attended all meetings held during the year under review.

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.

Summary of shareholder voting at the 2014 AGM

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

	Total number of votes	% of votes cast
For (including discretionary)	21,430,462	97.6
Against	517,332	2.4
Total votes cast (excluding withheld votes)	21,947,794	100.00
Votes withheld	7,650,210	
Total votes cast (including withheld votes)	29,598,004	

The following table shows the results of the shareholder vote on the 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 2015 and the prior year:

	Salary		Benefits (1)		Annual Bonus		LTIP		Pension (2)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Name	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CJ Malley	283	275	13	13	202	-	-	-	40	40	538	328
RJ Brooksbank	190	170	13	13	100	-	-	-	38	34	374	217

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 2015 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 2015 and the prior year:

	Base fee £		Committee fees £		Total £	
Non Executive Director	2015	2014	2015	2014	2015	2014
MJC Derbyshire	78,200	75,920	-	-	78,200	75,920
W Tame	32,100	31,200	5,400	5,200	37,500	36,400
RJ Rickman	32,100	31,200	5,400	5,200	37,500	36,400
P Slabbert	-	-	-	-	-	-
D Toohey	-	-	-	-	-	-

Notes
(1) MJC Derbyshire appointed chairman from 6 September 2012 (previously non executive director).
(2) Fees for chairing audit and remuneration committees introduced 1 October 2012.
(3) R Rickman appointed non executive director from 1 July 2012.
(4) P Slabbert and D Toohey appointed non executive directors from 1 April 2015

annual report on remuneration CONTINUED

Incentive outcomes for the year ended 31 March 2015 (audited)

Variable pay

Annual performance bonus outcome 2015

	Outcome % Salary			Maximum Potential % Salary		
Name	Financial	Strategic	Payable	Financial	Strategic	Payable
CJ Malley	43.7500	27.5000	71.25	62.500	37.500	100
RJ Brooksbank	32.8125	19.6875	52.50	46.875	28.125	75

As previously discussed, the remuneration committee took the decision to restrict the payment in respect of the financial portion to 70% of maximum payable in the light of the impairment to the intangible and tangible fixed assets of CIT.

The detailed financial performance targets applicable to the 2015 annual bonus arrangements are considered commercially sensitive underlying group profit levels and accordingly are not further disclosed. The detailed financial performance targets applicable to the 2014 annual bonus arrangements related to specific CIT and underlying group profit levels.

2012/13 LTIP vesting

The LTIP award granted on 16 July 2012 was based on performance to the year ended 31 March 2015.
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	10.02p EPS	12.24p EPS	8.54p EPS	0%
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	60.7% TSR	139.3% TSR	(62.8%) TSR	0%
			Total Vesting		0%

There is therefore zero vesting for the 2012 award as follows:

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Estimated value (£)
RJ Brooksbank	23,000	-	23,000	-

Scheme interests awarded in the year ended 31 March 2015 (audited)

2014/15 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	11 July 2014	240,000	90.25p	£216,600
RJ Brooksbank	11 July 2014	112,000	90.25p	£101,080

Implementation of remuneration policy for the year ending 31 March 2016

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2016 is set out below:

Basic salary

As reported in the Annual Statement on page 40 the Remuneration Committee agreed to increase executive directors' base salary levels as follows:

Name	2015	2014	% increase
CJ Malley	£288,915	£283,250	2.0
R J Brooksbank	£193,800	£190,000	2.0

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

The group's contribution to CJ Malley's personal pension plan will remain fixed at £40,000 per annum. A salary supplement in lieu of pension contributions will be paid to RJ Brooksbank, calculated at 20% of salary.

Annual bonus

The maximum bonus potential for the year ending 31 March 2016 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, 75.0% based on growth in group underlying profit before tax, and 25.0% based on executive's personal performance achievement level. 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 2016. Claw back provisions for all executive directors will apply.

Proposed target levels have been set to be challenging relative to the 2016 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, i.e. not later than the 2017 Directors' Remuneration Report, is appropriate.

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 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.

As set out in the Directors' Remuneration Policy, awards will be subject to claw back 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.

Fee increases were awarded for the 2015/16 financial year as follows:

Provision	2015	2014	% increase
Chairman	£79,764	£78,200	2.0
Base fee	£32,750	£32,100	2.0
Committee Chair fees	£5,500	£5,400	2.0
Total non executive directors	£38,250	£37,500	2.0

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 2014 and 31 March 2015 compared to that of the total amounts for all UK employees of the group for each of these elements of pay.

	2015	2014	% change	
	£'000	£'000		
Salary Chief executive UK employee average	283 28	275 27	2.0 3.7	Note 1
Benefits Chief executive UK employee average	13 1	13 1	- -	
Annual bonus Chief executive UK employee average	202 1	- -	- -	Note 1 Note 2
Average number of UK employees	479	550	(12.9)	

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: There were no bonus payments made to directors in 2014 as they waived their entitlement to receive bonus payments.

Note 2: Total annual bonus awards under the group's short term incentive scheme increased from £146k to £450k 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 2014 and ending 31 March 2015

	2015	2014	% change
	£'000	£'000	
Staff costs	28,850	24,841	16.1
Dividends	1,821	1,783	2.1
Retained (loss) / profit	(22,773)	3,555	(7,405.9)
Number of Employees	1,172	1,112	5.4

The dividends figures relate to amounts payable in respect of the relevant financial year. 2015 includes a proposed final dividend of 1.90p.

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 six 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)

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

Figures for 2011 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 2015 were as follows:

	31 March 2015		31 March 2014	
	Ordinary shares	Options	Ordinary shares	Options
CJ Malley	43,385	-	19,612	-
RJ Brooksbank	236,555	-	196,055	-
MJC Derbyshire	50,000	-	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 2015:

	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	43,385	-	319,000	100	21	9
RJ Brooksbank	236,555	-	146,000	100	171	127

CJ Malley has reaffirmed his commitment to increasing his shareholding towards the required holding.

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	-	-	-	79,000	3.52	15.7.16
PSP 2014	**-**	**240,000**	**-**	**-**	**240,000**	**0.9025**	**11.7.17**
RJ Brooksbank							
PSP 2011	31,000	-	-	31,000	-	3.25	8.7.14
PSP 2012	23,000	-	-	23,000	-	4.40	16.7.15
PSP 2013	34,000	-	-	-	34,000	3.52	15.7.16
PSP 2014	**-**	**112,000**	**-**	**-**	**112,000**	**0.9025**	**11.7.17**

responsibility statement of the directors in respect of the annual report

Directors' responsibilities for the preparation of the annual report

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

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

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

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

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

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, strategic 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.

Directors' responsibilities statement

The board considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's position and performance, business model and strategy.

We confirm that to the best of our knowledge -

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

By order of the board

Chris Malley
Chief Executive

Robert Brooksbank
Finance Director

9 June 2015

Independent auditor's report to the members of Carclo plc

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 2015 set out on pages 60 to 103. 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 2015 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;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; 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:

Carrying value of patent and development costs

Refer to pages 38 to 39 (Audit Committee Report), pages 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 CIT Technology business and continues to undertake development activity in the Diagnostics Solutions business areas. 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, for example, 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.
- Patents and development costs capitalised are tested for impairment in accordance with the relevant accounting standard. The group applies judgement in determining realisable value by assessing the potential future economic returns from the technology. These valuations have inherent uncertainties.

Our response

- Our audit procedures included, among others,
- As part of our assessment of costs capitalised during the year we challenged the group and third party assessments of technical feasibility and how the patents and development costs will generate probable future economic benefit.
- We considered the group's cash flow forecasts and customer correspondence. We assessed the appropriateness of key inputs, such as the value and timing of sales by reference to our knowledge of the group's business, our experience of the industry, and consideration of publicly available information, such as customer press releases. We performed sensitivity analysis on the valuations and range of assumptions used by the group. We compared the group's discount rate assumptions to externally derived data as well as our own assessments.
- We have agreed a sample of the specific development costs that have been capitalised to supporting documentation.
- We have also considered the adequacy of the group's disclosures in respect of patents and development costs and impairment.

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

The materiality for the group financial statements as a whole was set at £500,000 determined with reference to a benchmark of group profit before taxation, normalised to exclude this year's exceptional costs as disclosed in note 5, of £7,123,000 of which it represents 7.0%.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £25,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.
Of the group's nine reporting components, we subjected seven to audits for group reporting purposes, one to a review of financial information (including enquiry) and one to specified risk-focused audit procedures. The latter were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

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

	Audits for group reporting purposes	Review of financial information	Specified risk-focused audit procedures	Total
Group revenue	94%	4%	2%	100%
Group loss before tax	100%	0%	0%	100%
Group assets	94%	5%	1%	100%

The group audit 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 audit team approved the component materialities, which ranged from £150,000 to £450,000, having regard to the mix of size and risk profile of the group across the components. The work on four of the nine components was performed by component auditors and the rest by the group audit team.

The group audit team visited the following locations: United Kingdom and United States. Telephone meetings were also held with the auditors at the other locations that were not physically visited. 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 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 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' statement, set out on page 70, in relation to going concern; and

- the part of the Corporate Governance Statement on page 34 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

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

Scope of report 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.

Mike Barradell (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

9 June 2015

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH

	Notes	2015 £000	2014 £000
Revenue	2	**107,503**	97,267
Underlying operating profit			
Operating profit before exceptional items		**7,789**	6,551
– rationalisation costs	5	**(3,351)**	(92)
– litigation costs	5	**(111)**	(428)
– impairment of CIT Technology	5	**(25,371)**	-
– impairment of Platform Diagnostics	5	**(2,835)**	-
After exceptional items		**(23,879)**	6,031
Operating (loss) / profit	2	**(23,879)**	6,031
Finance revenue	6	**64**	16
Finance expense	6	**(730)**	(1,276)
(Loss)/profit before tax		**(24,545)**	4,771
Income tax credit/(expense)	7	**1,772**	(1,179)
(Loss)/profit after tax but before loss on discontinued operations		**(22,773)**	3,592
Loss on discontinued operations, net of tax	8	**-**	(37)
(Loss)/profit after tax		**(22,773)**	3,555
Attributable to –			
Equity holders of the parent		**(21,942)**	3,597
Non-controlling interests		**(831)**	(42)
		(22,773)	3,555
Earnings per ordinary share	9		
Basic		**(33.2)p**	5.5 p
Diluted		**(33.2)p**	5.5 p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH

	2015	2014
	£000	£000
(Loss)/profit for the period	**(22,773)**	3,555
Other comprehensive income -		
Items that will not be reclassified to the income statement		
Remeasurement (losses)/gains on defined benefit scheme	**(13,443)**	15,365
Deferred tax arising	**2,689**	(4,196)
Total items that will not be reclassified to the income statement	**(10,754)**	11,169
Items that are or may in the future be classified to the income statement		
Foreign exchange translation differences	**1,501**	(3,029)
Impact of the change in rate of deferred taxation	**-**	222
Total items that are or or may in future be classified to the income statement	**1,501**	(2,807)
Other comprehensive income, net of income tax	**(9,253)**	8,362
Total comprehensive income for the period	**(32,026)**	11,917
Attributable to		
Equity holders of the parent	**(31,195)**	11,959
Non-controlling interests	**(831)**	(42)
Total comprehensive income for the period	**(32,026)**	11,917

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Notes	2015 £000	2014 £000
Assets			
Intangible assets	11	**26,000**	45,994
Property, plant and equipment	12	**31,721**	35,657
Investments	13	**7**	7
Deferred tax assets	19	**8,337**	4,789
Retirement benefit obligations	20	**-**	239
Total non current assets		**66,065**	86,686
Inventories	14	**13,440**	13,363
Trade and other receivables	15	**24,367**	21,136
Cash and cash deposits	16	**10,855**	11,764
Non current assets classified as held for sale	17	**700**	-
Total current assets		**49,362**	46,263
Total assets		**115,427**	132,949
Liabilities			
Interest bearing loans and borrowings	18	**29,660**	17,569
Deferred tax liabilities	19	**4,768**	6,642
Retirement benefit obligations	20	**12,131**	-
Total non current liabilities		**46,559**	24,211
Trade and other payables	22	**17,219**	20,163
Current tax liabilities		**2,380**	2,144
Provisions	21	**2,203**	-
Interest bearing loans and borrowings	18	**5,713**	11,875
Total current liabilities		**27,515**	34,182
Total liabilities		**74,074**	58,393
Net assets		**41,353**	74,556
Equity			
Ordinary share capital issued	24	**3,310**	3,303
Share premium		**-**	21,291
Other reserves	25	**2,254**	3,584
Translation reserve	25	**3,267**	1,766
Retained earnings	25	**32,522**	43,781
Total equity attributable to equity holders of the parent		**41,353**	73,725
Non-controlling interests		**-**	831
Total equity		**41,353**	74,556

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

Michael Derbyshire
Robert Brooksbank } directors

9 June 2015

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 2013	3,258	20,901	4,795	3,584	31,504	64,042	1,080	65,122
Profit for the period	-	-	-	-	3,597	3,597	(42)	3,555
Other comprehensive income -								
Foreign exchange translation differences	-	-	(3,029)	-	-	(3,029)	-	(3,029)
Remeasurement gains on defined benefit scheme	-	-	-	-	15,365	15,365	-	15,365
Taxation on items above	-	-	-	-	(3,974)	(3,974)	-	(3,974)
Total comprehensive income for the period	-	-	(3,029)	-	14,988	11,959	(42)	11,917
Transactions with owners recorded directly in equity -								
Share based payments	-	-	-	-	34	34	-	34
Dividends to shareholders	-	-	-	-	(1,674)	(1,674)	-	(1,674)
Exercise of share options	10	122	-	-	-	132	-	132
Performance share plan awards	35	268	-	-	(913)	(610)	-	(610)
Increase in holding in subsidiary with non-controlling interests	-	-	-	-	192	192	(207)	(15)
Taxation on items recorded directly in equity	-	-	-	-	(350)	(350)	-	(350)
Balance at 31 March 2014	3,303	21,291	1,766	3,584	43,781	73,725	831	74,556
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**	**-**	**-**	**-**
Performance share plan awards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH

	Notes	2015 £000	2014 £000
Cash generated from operations	27	**3,549**	5,627
Interest paid		**(650)**	(641)
Tax paid		**(712)**	(753)
Net cash from operating activities		**2,187**	4,233
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**43**	60
Interest received		**30**	16
Cash flow on discontinued operations		**-**	(37)
Acquisition of property, plant and equipment		**(6,543)**	(7,352)
Acquisition of intangible assets – computer software		**(96)**	(110)
Investment in Platform Diagnostics Limited		**-**	(15)
Development expenditure		**(1,346)**	(3,519)
Net cash from investing activities		**(7,912)**	(10,957)
Cash flows from financing activities			
Proceeds from exercise of share options		**103**	132
Drawings on term loan facilities		**21,674**	-
Repayment of borrowings		**(9,633)**	-
Cash outflow in respect of performance share plan awards		**-**	(610)
Dividends paid		**(1,752)**	(1,674)
Net cash from financing activities		**10,392**	(2,152)
Net increase / (decrease) in cash and cash equivalents		**4,667**	(8,876)
Cash and cash equivalents at beginning of period		**(111)**	9,130
Effect of exchange rate fluctuations on cash held		**586**	(365)
Cash and cash equivalents at end of period		**5,142**	(111)
Cash and cash equivalents comprise –			
Cash and cash deposits		**10,855**	11,764
Bank overdrafts		**(5,713)**	(11,875)
		5,142	(111)

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 97 to 103.

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 2014. 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 2014:

IFRS 10 – "Consolidated Financial Statements" and IAS 27 – "Separate Financial Statements". These are part of a new suite of standards on consolidation and related standards, replacing the existing accounting for subsidiaries and making limited amendments in relation to associates.

IFRS 12 – "Disclosure of Interest in Other Entities". This contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.

Amendments to IAS 32 - "Offsetting Financial Assets and Financial Liabilities".

Amendments to IAS 36 - "Recoverable Amounts Disclosures for Non-Financial Assets".

Amendments to IAS 39 - "Novation of Derivatives and Continuation of Hedge Accounting".

IFRIC 21 - "Levies".

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 2015. The group has elected not to adopt early these standards which are described below:

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

Annual Improvements to IFRSs 2010 - 2012 Cycle

Annual Improvements to IFRSs 2011 - 2013 Cycle

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 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.

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

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 20.

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. As the terms of the plan comply with this an asset was recognised at 31 March 2014.

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.

1 Accounting policies continued

y) Segment reporting

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

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. In addition note 26 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 2015 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 £10.8 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 2015, the group was organised into four, separately managed, business segments - Technical Plastics, LED Technologies, Precision Engineering 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 Precision Engineering segment supplies systems to the manufacturing and aerospace industries.

The CIT Technology segment undertakes applied research into 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.

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	Precision Engineering £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)

	Technical Plastics £000	LED Technologies £000	Precision Engineering £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

2 Segment reporting continued

The segment results for the year ended 31 March 2014 were as follows –

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	59,945	28,187	7,776	3,251	-	(1,892)	97,267
Less inter-segment revenue	(1,865)	(27)	-	-	-	1,892	-
Total external revenue	58,080	28,160	7,776	3,251	-	-	97,267
Expenses	(53,465)	(25,591)	(6,239)	(3,420)	(2,001)	-	(90,716)
Underlying operating profit	4,615	2,569	1,537	(169)	(2,001)	-	6,551
Rationalisation costs	-	-	-	-	(92)	-	(92)
Litigation costs	-	-	-	(428)	-	-	(428)
Operating profit	4,615	2,569	1,537	(597)	(2,093)	-	6,031
Net finance expense							(1,260)
Income tax expense							(1,179)
Loss on discontinued operations, net of tax							(37)
Profit after tax							3,555

	Technical Plastics £000	LED Technologies £000	Precision Engineering £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated statement of financial position							
Segment assets	68,235	18,354	6,491	28,427	11,442	-	132,949
Segment liabilities	(13,999)	(3,838)	(935)	(4,871)	(34,750)	-	(58,393)
Net assets	54,236	14,516	5,556	23,556	(23,308)	-	74,556
Other segmental information							
Capital expenditure on property, plant and equipment	4,917	890	198	1,141	4	-	7,150
Capital expenditure on computer software	15	41	-	-	54	-	110
Capital expenditure on other intangibles	-	-	-	2,413	1,106	-	3,519
Depreciation	2,275	652	133	572	37	-	3,669
Amortisation of computer software	7	37	1	-	13	-	58
Amortisation of other intangibles	11	115	-	822	-	-	948

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	
	2015	2014	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**34,390**	30,091	**(5,373)**	34,104	**3,182**	3,152
North America	**35,264**	27,724	**24,761**	19,129	**2,398**	3,865
Rest of world	**37,849**	39,452	**21,965**	21,323	**852**	243
	107,503	97,267	**41,353**	74,556	**6,432**	7,260

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 £12.131 million (2014 - net assets of £0.239 million), and net borrowings of £31.596 million (2014 - £22.198 million).

One Technical Plastics customer accounted for 22.8% of group revenues (2014 – 22.8%) and one LED Technologies customer accounted for 13.0% of group revenues (2014 - 12.4%) 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 £7.682 million (2014 - £3.916 million), North America £0.432 million (2014 - £0.668 million), Rest of world £0.223 million (2014 - £0.205 million).

Total non-current assets by geographical location are as follows, United Kingdom £39.689 million (2014 - £63.073 million), North America £16.143 million (2014 - £ 13.209 million), Rest of world £10.233 million (2014 - £10.404 million).

3 Operating (loss)/profit

	2015 **£000**	2014 £000
Operating (loss)/profit is arrived at as follows -		
Revenue	**107,503**	97,267
Decrease in stocks of finished goods and work in progress	**448**	83
	107,951	97,350
Raw materials and consumables	**51,995**	46,687
Personnel expenses (see note 4)	**29,180**	24,841
Amortisation of intangible assets	**799**	1,006
Depreciation of property, plant and equipment	**3,613**	3,669
Amortisation of grants	**(10)**	-
Auditor's remuneration -		
Fees payable to the company's auditor for the audit of the company's annual accounts	**80**	71
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**109**	111
Tax advisory services	**9**	22
Total	**198**	204
Operating lease rentals -		
Property	**844**	557
Plant and machinery	**527**	430
Total	**1,371**	987
Rationalisation costs (see note 5)	**3,351**	92
Litigation costs (see note 5)	**111**	428
Impairment of CIT Technology (see note 5)	**25,371**	-
Impairment of Platform Diagnostics (see note 5)	**2,835**	-
Foreign exchange gains	**(214)**	(273)
Pension scheme administration costs	**650**	650
Other operating charges	**12,580**	13,028
	131,830	91,319
Operating (loss)/profit	**(23,879)**	6,031

4 Personnel expenses

	2015 £'000	2014 £'000
Wages and salaries	**24,932**	21,177
Social security contributions	**2,875**	2,777
Charge in respect of defined contribution and other pension plans	**1,043**	853
Share based payments (see note 24)	**330**	34
	29,180	24,841

Redundancy costs of £0.987 million (2014 - £0.000 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 –	2015 Number of employees	2014 Number of employees
By segment		
Unallocated	**15**	14
Technical Plastics	**827**	776
LED Technologies	**229**	201
Precision Engineering	**72**	83
CIT Technology	**29**	38
	1,172	1,112
By geographic location		
United Kingdom	**479**	550
North America	**252**	212
Rest of world	**441**	350
	1,172	1,112

5 Exceptional costs

	2015 £000	2014 £000
United Kingdom		
Litigation costs	**(111)**	(428)
Rationalisation costs	**(3,101)**	(92)
Impairment review of CIT Technology	**(25,371)**	-
Impairment review of Platform Diagnostics	**(2,835)**	-
North America		
Rationalisation costs	**-**	-
Rest of world		
Rationalisation costs	**(250)**	-
	(31,668)	(520)

As discussed in the Report & Accounts 2014 and Interim Accounts 2014, a decision was made during the current year to close the loss making Technical Plastics site in Harthill, Scotland. During the current period the closure has completed and an impairment review of the remaining assets has also been completed leading to rationalisation costs of £3.101 million. A provision of £0.250 million has been made against the remainder of the expected costs. As part of the process the property at Harthill has now been classified as held for sale (see note 12).

A strategic review of the CIT Technology business commenced during the current year. This concluded in April 2015 with the agreement to license its fine line technology to UniPixel Inc, to enter into a short-term coated film supply agreement also with UniPixel, and with the intention to exit the Printed Electronics business. As discussed in Note 11 an impairment review of the CIT Technology cash generating unit has been completed and as a result an impairment of £0.931 million has been recognised in respect of goodwill, £16.894 million in respect of patents and development costs and £5.584 million in respect of plant and equipment. Further rationalisation costs of £1.962 million have been recognised of which a provision of £1.703 million remains at the year end.

5 Exceptional costs continued

A third party commercialisation review undertaken during the year has resulted in an increased focus on the Troponin and CRP applications of Carclo's diagnostic technologies as these present the greatest commercially viable opportunities. Following this an impairment review of the intangible assets related to Platform Diagnostics Limited and Carclo Diagnostic Solutions has been completed. As a result an impairment of £0.517 million has been recognised in respect of goodwill and £2.318 million in respect of patents and development costs related to Platform Diagnostics Limited.

6 Finance revenue and expense

	2015 £000	2014 £000
Finance revenue comprises –		
Interest receivable on cash at bank	**30**	16
Net interest on the net defined benefit asset	**34**	-
Finance revenue	**64**	16
Finance expense comprises –		
Bank loans and overdrafts	**(730)**	(617)
Net interest on the net defined benefit liability	**-**	(659)
Finance expense	**(730)**	(1,276)

7 Income tax credit/(expense)

	2015 £000	2014 £000
The credit/(expense) 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	**(820)**	(801)
Adjustments for prior years	**-**	161
Total current tax net expense	**(820)**	(640)
Deferred tax credit/(charge)		
Origination and reversal of temporary differences -		
Deferred tax	**3,127**	(1,004)
Rate change	**-**	482
Adjustments for prior years	**(535)**	(17)
Total deferred tax income / (expense)	**2,592**	(539)
Total income tax income / (expense) recognised in the consolidated income statement	**1,772**	(1,179)

7 Income tax credit/(expense) 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 -

	2015		2014	
	£000	**%**	£000	%
(Loss)/profit before tax	**(24,545)**		4,771	
Income tax using standard rate of UK corporation tax of 21% (2014 - 23%)	**(5,154)**	**21.0**	1,097	23.0
Adjustments in respect of overseas tax rates	**373**	**(1.5)**	557	(11.7)
Other temporary differences	**(3,076)**	**12.5**	(92)	(1.9)
Movement in unprovided deferred tax	**1,551**	**(6.3)**	(13)	(0.3)
Other items not deductible for tax purposes	**3,999**	**(16.3)**	256	5.4
Adjustment to current tax in respect of prior periods (UK and overseas)	**-**	**-**	(161)	(3.4)
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**535**	**(2.2)**	17	0.4
Rate change on deferred tax	**-**	**-**	(482)	(10.1)
Total income tax (credit)/charge in the consolidated income statement	**(1,772)**	**7.2**	1,179	24.8

Tax on items charged outside of the consolidated income statement -

	2015	2014
	£000	£000
Deferred tax relating to actuarial remeasurement of the defined benefit scheme	**(2,689)**	4,196
Share based payments	**(37)**	361
Foreign exchange movements	**(104)**	(222)
Total income tax (credited)/charged to equity	**(2,830)**	4,335

8 Loss on discontinued activities, net of tax

	2015	2014
	£000	£000
Costs incurred in relation to previously leased properties	**-**	(37)
	-	(37)

9 Earnings per share

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

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

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

	2015	2014
	£000	£000
(Loss)/profit after tax from continuing operations	**(22,773)**	3,592
Loss attributable to non-controlling interests	**831**	42
(Loss)/profit attributable to ordinary shareholders from continuing operations	**(21,942)**	3,634
Loss on discontinued operations, net of tax	**-**	(37)
(Loss)/profit after tax, attributable to equity holders of the parent	**(21,942)**	3,597

	2015	2014
	Shares	Shares
Weighted average number of ordinary shares in the year	**66,153,517**	65,761,466
Effect of share options in issue	**30,921**	171,187
Weighted average number of ordinary shares (diluted) in the year	**66,184,438**	65,932,653

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 to underlying profit used in the numerator in calculating underlying earnings per share -

	2015	2014
	£000	£000
(Loss) / profit after tax, attributable to equity holders of the parent	**(21,942)**	3,597
Rationalisation costs, net of tax	**3,100**	71
Litigation costs, net of tax	**111**	330
Impairment review of CIT Technology, net of tax	**21,933**	-
Impairment review of Platform Diagnostics, net of tax	**2,035**	-
Loss on disposal of discontinued operations, net of tax	**-**	37
Underlying profit attributable to equity holders of the parent	**5,237**	4,035

9 Earnings per share continued

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

	2015 Pence	2014 Pence
Basic - continuing operations	**(33.2)**	5.5
Basic - discontinued operations	**-**	-
Basic - total	**(33.2)**	5.5
Diluted - continuing operations	**(33.2)**	5.5
Diluted - discontinued operations	**-**	-
Diluted - total	**(33.2)**	5.5
Underlying earnings per share - basic	**7.9**	6.1
Underlying earnings per share - diluted	**7.9**	6.1

10 Dividends paid and proposed

	2015 £000	**2015 Pence**	2014 £000	2014 Pence
Ordinary dividends per 5 pence share declared in the period comprised –				
Final dividend for 2012/13	**-**	**-**	1,153	1.75
Interim dividend for 2013/14	**-**	**-**	560	0.85
Final dividend for 2013/14	**1,192**	**1.80**	-	-
Interim dividend for 2014/15	**563**	**0.85**	-	-
	1,755	**2.65**	1,713	2.60

The directors are proposing a final dividend of 1.90 pence per ordinary share for the year ended 31 March 2015. If approved at the annual general meeting on 3 September 2015, the dividend payment totalling £1.258 million will be paid on 2 October 2015 to shareholders on the share register at close of business on 28 August 2015.

The interim dividend of £0.563 million was paid on 10 April 2015 and consequently has not been accrued.

11 Intangible assets

	Goodwill £000	Patents and development costs £000	Customer related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 1 April 2013	21,617	23,462	402	1,036	46,517
Additions	-	3,519	-	110	3,629
Disposals	-	-	-	(17)	(17)
Effect of movements in foreign exchange	(1,129)	-	-	(24)	(1,153)
Balance at 31 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**
Amortisation					
Balance at 1 April 2013	-	879	295	827	2,001
Amortisation for the year	-	891	57	58	1,006
Disposals	-	-	-	(12)	(12)
Effect of movements in foreign exchange	-	-	-	(13)	(13)
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**
Carrying amounts					
At 1 April 2013	21,617	22,583	107	209	44,516
At 31 March 2014	20,488	25,211	50	245	45,994
At 31 March 2015	**19,053**	**6,660**	**2**	**285**	**26,000**

Impairment tests for cash generating units containing goodwill

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

	2015 £000	2014 £000
Technical Plastics	**17,500**	17,384
LED Technologies	**389**	389
Precision Engineering	**1,164**	1,268
CIT Technology	**-**	931
Other	**-**	516
	19,053	20,488

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. Years one and two (2015/16 and 2016/17) were based on detailed budgets prepared by management. Years three to five are extrapolated using these budgets and assuming growth of up to 10.0% 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 6.9% (2014 - 7.4%) for Technical Plastics, LED Technologies and Precision Engineering and 13.25% (2014 - 13.25%) for CIT Technology. These rates are calculated and reviewed annually. Changes in income and expenditure are based on expectations of future changes in the market. Impairments of £0.931 million in respect of the CIT Technology cash generating unit and £0.517 million in respect of Platform Diagnostics within the Other cash generating unit arose during the year as a result of this test. The valuations of the other cash generating units indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

Note 30 provides details of the assumptions used to assess the carrying value of patents and development costs.

12 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 April 2013	21,722	50,135	71,857
Additions	2,721	4,429	7,150
Disposals	(68)	(1,207)	(1,275)
Reclassification	(1,800)	1,800	-
Effect of movements in foreign exchange	(1,061)	(1,644)	(2,705)
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**
Depreciation and impairment losses			
Balance at 1 April 2013	4,988	33,420	38,408
Depreciation charge for the year	442	3,227	3,669
Disposals	(68)	(1,176)	(1,244)
Effect of movements in foreign exchange	(272)	(1,191)	(1,463)
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**
Carrying amounts			
At 1 April 2013	16,734	16,715	33,449
At 31 March 2014	16,424	19,233	35,657
At 31 March 2015	**15,761**	**15,960**	**31,721**

At 31 March 2015, properties with a carrying amount of £5.354 million were subject to a registered charge in favour of the group pension scheme (2014 - £6.587 million).

As discussed in note 5, land and buildings at the closed Harthill, Scotland site have been impaired to their recoverable amount. The net impairment charge of £0.888 million has been charged to rationailsation costs within the income statement. The property at this site has now been classified as held for sale.

As also discussed in note 5, impairment costs of £5.584 million have arisen in respect of CIT Technology. These have been charged to impairment of CIT Technology within the income statement.

13 Investments

	2015 £000	2014 £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.

14 Inventories

	2015 £000	2014 £000
Raw materials and consumables	**7,188**	6,749
Work in progress	**734**	615
Finished goods	**5,518**	5,999
	13,440	13,363

The value of inventories is stated after impairment for obsolescence and write downs to a net realisable value of £1.024 million (2014 - £1.069 million).

15 Trade and other receivables

	2015 £000	2014 £000
Trade receivables	**15,837**	14,906
Less impairment provision	**(49)**	(69)
	15,788	14,837
Other debtors and prepayments	**8,579**	6,299
	24,367	21,136

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

	2015 £000	2014 £000
Not past due	**11,700**	10,955
Past due 0 – 30 days	**3,140**	3,400
Past due 31 – 60 days	**309**	351
Past due 61 – 120 days	**608**	102
More than 120 days	**31**	29
	15,788	14,837

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.

16 Cash and cash deposits

	2015 £000	2014 £000
Cash at bank and in hand	**10,855**	11,764
	10,855	11,764

17 Non current assets classified as held for sale

	2015 £000	2014 £000
Surplus land and buildings	**700**	-
Net assets held for sale	**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.

18 Interest bearing loans and borrowings

	2015 £000	2014 £000
Current –		
Bank overdrafts	**5,713**	11,875
	5,713	11,875
Non current –		
Bank loans repayable between one and two years	**-**	17,569
Bank loans repayable between two and five years	**29,660**	-
	29,660	17,569

Bank loans include £29.660 million (2014 - £17.569 million) secured on the assets of the group.

The bank overdrafts are predominantly in sterling and bear interest at two per cent above prevailing UK bank base rates. At 31 March 2015 the gross amount of overdrafts available was £10.838 million (2014 - £11.414 million) of which £1.450 million was utilised at the year end (2014 - £5.415 million) which is net of qualifying cash balances.

At 31 March 2015 the group had medium term multi-currency revolving loan facilities totalling £30.000 million (2014 - £20.000 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 2015 these facilities were drawn to the extent of £29.660 million (2014 - £17.569 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 2015 the gross value of the assets secured, which includes applicable inter company balances, amounted to £30.004 million (2014 - £33.928 million). Excluding inter company balances the value of the security was £21.083 million (2014 - £20.760 million).

19 Deferred tax assets and liabilities

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:	2015 £000	2014 £000
Assets -		
Property, plant and equipment	**4,720**	3,277
Employee benefits	**2,426**	(49)
Short term timing differences	**732**	962
Share based payments	**208**	68
Tax losses	**251**	531
Deferred tax assets	**8,337**	4,789
Liabilities -		
Intangible assets	**4,327**	4,713
Short term timing differences	**441**	1,929
Deferred tax liabilities	**4,768**	6,642
Net deferred tax asset / (liability)	**3,569**	(1,853)

Unrecognised deferred tax assets

The following deferred tax assets have not been recognised in respect of the following items –

	2015	2014
Tax losses – overseas	**28**	74
Tax losses – trading	**2,051**	608
Tax losses – capital	**267**	267
Tax losses – non trading	**903**	900
	3,249	1,849

19 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 2015. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2015.

The tax losses at 31 March 2015 are available to carry forward without time restriction.

At 31 March 2015 there were no recognised deferred tax liabilities for taxes that would be deductible on the unremitted earnings of the group's overseas subsidiary undertakings (2014 - nil) as the group policy is to continually reinvest in those businesses. If all earnings were remitted it is estimated that £0.413 million of additional tax would be payable (2014 - £0.375 million).

The deferred tax asset at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

	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**

	Balance as at 1 Apr 13 £000	Recognised on acquisition £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 14 £000
Property, plant and equipment	3,490	-	(213)	-	3,277
Intangible assets	(4,906)	-	(149)	342	(4,713)
Employee benefits	3,559	-	588	(4,196)	(49)
Share based payments	912	-	(483)	(361)	68
Short term timing differences	(383)	-	(464)	(120)	(967)
Tax losses	349	-	182	-	531
	3,021	-	(539)	(4,335)	(1,853)

20 Retirement benefit obligations

The group operates a defined benefit UK pension scheme which provides pensions based on service and final pay. The defined benefit scheme is now closed to new entrants who 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. The assets of the defined benefit scheme are held in a separate trustee administered pension fund. Outside of the UK, retirement benefits are determined according to local practice and funded accordingly.

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

	2015 £000	2014 £000
Present value of funded obligations	**(201,123)**	(183,585)
Fair value of scheme assets	**188,992**	183,824
Recognised (liability)/asset for defined benefit obligations	**(12,131)**	239

20 Retirement benefit obligations continued

Movements in the net (liability)/asset for defined benefit obligations recognised in the consolidated statement of financial position -	2015 £000	2014 £000
Net asset / (liability) for defined benefit obligations at the start of the year	**239**	(15,476)
Contributions paid	**1,039**	1,009
Net income / (expense) recognised in the consolidated income statement (see below)	**34**	(659)
Remeasurement (losses)/gains recognised directly in equity	**(13,443)**	15,365
Net (liability) / asset for defined benefit obligations at the end of the year	**(12,131)**	239

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

	2015 £000	2014 £000
Liability at the start of the year	**183,585**	185,948
Net interest on the net defined benefit liability	**7,856**	7,976
Remeasurement losses / (gains)	**19,823**	(893)
Benefits paid	**(10,141)**	(9,446)
Liability at the end of the year	**201,123**	183,585
Assets at the start of the year	**183,824**	170,472
Interest on scheme assets	**7,890**	7,317
Remeasurement gains	**6,380**	14,472
Contributions by employer	**1,039**	1,009
Benefits paid	**(10,141)**	(9,446)
Assets at the end of the year	**188,992**	183,824
Actual return on scheme assets	**14,270**	21,789

The fair value of scheme asset investments was as follows -

	2015 £000	2014 £000
Equities	**-**	92,787
Bonds	**66,490**	66,874
Diversified Growth Funds	**117,712**	-
Property	**-**	22,708
Cash	**4,790**	1,455
	188,992	183,824

None of the fair values of the assets shown above include any of the group's own financial instruments or any property occupied, or other assets used, by the group.

All of the scheme assets have a quoted market price in an active market with the exception of the Trustees' bank account balance.

20 Retirement benefit obligations continued

	2015	2014
	£'000	£'000
Net interest on the net defined benefit (asset) / liability	**(34)**	659
	(34)	659

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

	2015	2014
	£000	£000
Other finance revenue and expense - net interest on the net defined benefit (asset) / liability	**(34)**	659
	(34)	659

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 £14.516 million.

The current best estimate of employer cash contributions to be paid in the year ending 31 March 2016 is £1.068 million.

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

	2015	2014
Discount rate at 31 March	**3.20**	4.40
Expected return on plan assets at 31 March	**N/A**	N/A
Future salary increases	**N/A**	N/A
Inflation	**3.05**	3.45
Future pension increases	**1.95**	2.35
Life expectancy for a male (current pensioner) aged 65	**18.2 years**	18.2 years
Life expectancy at 65 for a male aged 40	**20.0 years**	19.9 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2014 - 100%).
The history of the scheme's deficits and experience gains and losses is shown in the following table -

	2015	2014
	£000	£000
Present value of funded obligations	**(201,123)**	(183,585)
Fair value of scheme asset investments	**188,992**	183,824
Recognised (liability) / surplus for defined benefit obligations	**(12,131)**	239
Actual return on scheme assets	**14,270**	21,789
Remeasurement (losses) / gains on scheme liabilities	**(19,823)**	893

21 Provisions

	2015			2014		
	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	**-**	**-**	**-**	-	-	-
Provision established in the period	**1,703**	**500**	**2,203**	-	-	-
Provisions used in the period	**-**	**-**	**-**			
Provisions at the end of the year - current	**1,703**	**500**	**2,203**	-	-	-

A provision of £0.250 million has been established in March 2015 in respect of the closure of the Harthill, Scotland site.
A further provision of £0.250 million has been 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.
A further provision of £1.703 million was established in March 2015 for the remainder of the expected costs in respect of the CIT Technology division.

22 Trade and other payables - falling due within one year

	2015 £000	2014 £000
Trade payables	**9,506**	9,272
Other taxes and social security costs	**1,454**	1,592
Other creditors	**2,553**	2,155
Accruals and deferred income	**3,706**	7,144
	17,219	20,163

23 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.

24 Ordinary share capital

Ordinary shares of 5 pence each -	**Number of shares**	£000
Issued and fully paid at 31 March 2014	66,054,142	3,303
Shares issued on exercise of share options	135,000	7
Issued and fully paid at 31 March 2015	**66,189,142**	**3,310**

During the course of the financial year 135,000 shares were issued in respect of share options at an average exercise price of 77.0 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	14 September 2005	24,000	80p	to 13 September 2015
	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	16 July 2012	65,000	nil	16 July 2015
	15 July 2013	201,000	nil	15 July 2016
	11 July 2014	584,000	nil	11 July 2017

24 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 -

	2015	2014
	11 July 2014 Award	15 July 2013 Award
Performance share plan		
Fair value at grant date	**64p**	246p
Share price at grant date	**113¾p**	359¼p
Exercise price	**0.0p**	0.0p
Expected volatility	**57.06%**	46.22%
Share price volatility of comparators	**13.94%**	39.45%
Expected dividend yield	**2.33%**	0.60%

The performance share plan award issued on 11 July 2014 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 2015 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 £0.330 million (2014 - £0.034 million).

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

	2015		2014	
	Weighted average exercise price pence	**Number of options No.**	Weighted average exercise price pence	Number of options No.
Outstanding at 1 April	**30.5**	**571,000**	23.0	1,350,000
Lapsed during the period	**-**	**(80,000)**	-	(89,500)
Exercised during the period	**77.0**	**(135,000)**	15.2	(890,500)
Granted during the period	**-**	**584,000**	-	201,000
Outstanding at the end of the period	**7.5**	**940,000**	30.5	571,000
Exercisable at 31 March		**90,000**		225,000
Weighted average remaining life at 31 March		**22 months**		23 months

The weighted average share price at the date of exercise for the share options exercised in 2015 was 110.75 pence (2014 - 333.70 pence).

25 Reserves

	2015 £000	2014 £000
Other reserves		
Other reserves comprise –		
Capital redemption reserve arising on the repurchase of the company's shares	**-**	1,330
Revaluation reserve arising on land and buildings	**252**	252
Revaluation reserve arising on intangible assets	**2,002**	2,002
	2,254	3,584

During the year the company completed a reduction of capital under which its share premium account amounting to £21.388 million and capital redemption reserve amounting to £1.330 million were cancelled. The reduction of capital was approved by the company's shareholders at a General Meeting on 25 February 2015 and became effective on 19 March 2015 following the High Court's final hearing and the filing that day at Companies House of the requisite High Court documents sanctioning the reduction of capital. The total amount cancelled of £22.718 million was transferred to the company's retained earnings.

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 2015 the plan held 3,077 shares (2014 - 3,077 shares).

26 Financial instruments

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

Credit risk

Credit risk is the risk of financial loss to the group if a customer or financial institution fails to meet its contractual obligations. The group's credit risk is mainly attributable to its trade receivables which the group mitigates by way of credit insurance. Credit insurance is sought for all customers where exposure is in excess of £10,000. In certain instances credit insurance cannot always be obtained or cover has been withdrawn. 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 £9.388 million at 31 March 2015 (2014 - £5.999 million) which are available to mitigate any liquidity risk.

	2015 £000	2014 £000
The maximum exposure to credit risk as at 31 March was –		
Quoted investments	**7**	7
Trade receivables, net of attributable impairment provisions	**15,788**	14,837
Cash and cash deposits	**10,855**	11,764
	26,650	26,608

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.

	2015 £000	2014 £000
United Kingdom	**4,861**	4,528
Rest of Europe	**3,956**	4,891
North America	**4,440**	3,258
Rest of world	**2,531**	2,160
Trade receivables, net of attributable impairment provisions	**15,788**	14,837

26 Financial instruments continued

Interest Risk

The group's borrowings are on floating rate terms. In the year to 31 March 2015, 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 2015	**Floating rate interest payable £000**
Sterling	**21,978**
US dollar	**5,830**
Euro	**7,393**
Other	**172**
	35,373
As at 31 March 2014	
Sterling	15,960
US dollar	6,471
Euro	7,011
Other	2
	29,444

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

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**

As at 31 March 2014	Floating rate interest receivable £000	No interest receivable £000	Total £000
Sterling	5,042	60	5,102
US dollar	2,151	-	2,151
Euro	2,137	478	2,615
Other	1,876	20	1,896
	11,206	558	11,764

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 18, the group has committed term loan facilities of £30.000 million (2014 - £20.000 million). In addition, the group has overdraft facilities totalling £10.838 million (2014 - £11.414 million). The group's net debt at 31 March 2015 was £24.518 million (2014 - £17.680 million), comfortably within the available facilities.

26 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 –

	2015		2014	
	Less than 6 months £000	**6 - 12 months £000**	Less than 6 months £000	6 - 12 months £000
Assets	**1,390**	**-**	744	-
Liabilities	**(254)**	**-**	(361)	-
	1,136	**-**	383	-

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 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**
As at 31 March 2014					
Trade receivables, net of attributable impairment provisions	6,739	3,622	3,331	1,145	14,837
Trade payables	(3,489)	(3,974)	(1,603)	(206)	(9,272)
Net	3,250	(352)	1,728	939	5,565

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

	Average rate		Reporting date mid-market rate	
	2015	2014	**2015**	2014
Sterling / US dollar	**1.60**	1.59	**1.48**	1.67
Sterling / Czech koruna	**35.5**	31.4	**37.6**	33.2
Sterling / Chinese renminbi	**9.9**	9.8	**9.1**	10.3
Sterling / Euro	**1.27**	1.19	**1.37**	1.21
Sterling / Indian rupee	**96.8**	96.1	**92.9**	99.5

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 2015 and 31 March 2014. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2015 were insignificant.

26 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 2015, 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 £0.327 million (2014 – £0.291 million). It is estimated that a general increase of 10% in the value of sterling against the above noted main currencies would have decreased the group's profit before tax by approximately £0.997 million for the year ended 31 March 2015 (2014 – £0.423 million) which is detailed by currency in the following table –

	2015	2014
	£000	£000
US dollar	**474**	249
Euro	**255**	66
Czech koruna	**72**	48
Other	**196**	60
	997	423

Capital risk management

The capital structure of the group consists of net debt (borrowings as detailed in note 18 offset by cash and bank balances) and equity of the group (comprising issued share capital, reserves and retained earnings as detailed in the consolidated statement of changes in 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.

27 Cash generated from operations

	2015	2014
	£000	£000
Operating (loss)/profit	**(23,879)**	6,031
Adjustments for -		
Pension fund contributions in excess of service costs	**(1,039)**	(1,009)
Depreciation charge	**3,613**	3,669
Amortisation of intangible assets	**799**	1,006
Exceptional tangible fixed asset write down, arising on rationalisation of business	**6,472**	-
Exceptional impairment of intangible assets, arising on rationalisation of business	**20,660**	-
Loss/(profit) on disposal of other plant and equipment	**465**	(25)
Provisions charged in respect of rationalisation	**2,203**	-
Share based payment charge	**330**	34
Operating cash flow before changes in working capital	**9,624**	9,706
Changes in working capital		
Decrease / (increase) in inventories	**246**	(1,265)
Increase in trade and other receivables	**(2,779)**	(2,451)
Decrease in trade and other payables	**(3,542)**	(363)
Cash generated from operations	**3,549**	5,627

28 Financial commitments

	2015 £000	2014 £000
(a) The directors have authorised the following future capital expenditure which is contracted -	**558**	129

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

	2015 £000	2014 £000
within one year	**371**	275
within two to five years	**3,339**	3,132
	3,710	3,407

29 Related parties

Identity of related parties

The group has a related party relationship with its subsidiaries (see note 31), 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 costs are recharged to the scheme in full. The costs in the year ended 31 March 2015 amounted to £1.167 million (2014 -£1.060 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 £0.650 million which have been charged to the Consolidated Income Statement (2014 -£0.650 million).

30 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.

30 Accounting estimates and judgements continued

Impairment of goodwill

Note 11 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.

Following the CIT Technology impairment referred to in note 5, around 50% of the development costs and associated intellectual property rights carried on the group balance sheet stem from the development work undertaken by CIT Technology Limited ("CIT") and relate to Fine Line Technology. As referred to in note 32 an agreement has been reached after the balance sheet date to licence this technology to a third party, UniPixel Inc., for five years and a US $4.67 million prepayment against royalties receivable under the agreement has been received by the group after the balance sheet date. This prepayment and future royalties during the term of the licence agreement have been discounted back at a rate of 13.25%. The net present value of these cash flows indicates that there is no impairment of the remaining intangible assets at 31 March 2015. CIT revenues in the new financial year are expected to equate to the prepayment received under the licence agreement but the impact on group profits will be negligible due to a commensurate and concurrent impairment in the intangible assets.

Following the Platform Diagnostics impairment also referred to in note 5, the majority of the remaining development costs and associated intellectual property rights carried on the group balance sheet relate to the development work undertaken by Carclo Diagnostics Solutions which is considered to meet all the criteria to be capitalised under IAS 38 - Intangible Assets. These costs will be amortised over the life of the products once the products operate in the manner intended by management.

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

Fixed asset useful economic lives

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

Pension assumptions

The key assumptions applied to pensions are disclosed in note 20. The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates, mortality rates and commutation. Due to the relative size of the scheme's liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the group balance sheet. For example, a decrease in the discount rate by 0.25% (i.e. 3.20% to 2.95%) would increase the scheme liabilities by 3.5% i.e. £7.039 million.

Recognition of deferred tax assets

Note 19 contains information about the assumptions and their risk factors relating to the recognition of deferred tax assets.

31 Group entities

Control of the group

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

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

Significant subsidiaries

	Country of incorporation	**2015 %**	2014 %	
Technical Plastics division				
Carclo Technical Plastics Limited	England	**100**	100	The companies within the Technical Plastics division design and manufacture high quality, close tolerance plastic components for the medical, optical and electronics industries.
* Carclo Technical Plastics Inc.	USA	**100**	100	
* Carclo Technical Plastics Shanghai Co. Limited	China	**100**	100	
* Carclo Technical Plastics (Brno) s.r.o	Czech Republic	**100**	100	
Carclo Technical Plastics Private Co. Limited	India	**100**	100	
LED Technologies division				
Wipac Limited	England	**100**	100	The company within the LED Technologies division develops innovative solutions in LED lighting and is a leader in the development of high power LED lighting for luxury cars and supercars.
Precision Engineering division				
Bruntons Aero Products Limited	England	**100**	100	The companies within the Precision Engineering division design and manufacture a range of control systems for the aerospace industries.
* Jacottet Industrie SAS	France	**100**	100	
CIT Technology				
CIT Technology Limited	England	**100**	100	Applied research into the digital printing of conductive metals onto plastic substrates.
Other				
Carclo Diagnostic Solutions Limited	England	**100**	100	Holding, development and exploitation of intellectual property rights.

* Wholly owned by subsidiary undertakings

32 Post balance sheet event

Following the year end, an agreement has been reached to licence CIT Technology's ("CIT") fine line technology ("FLT") to UniPixel Inc. ("UniPixel") for an initial five year period. In consideration for the grant of an initial five year FLT Patent License to Unipixel, CIT will receive per annum payments of the greater of US$1.65 million or 1.67% of annual net product sales. An initial cash prepayment of US$4.67 million has been received by CIT at completion and this is non-refundable. Royalty payments in excess of the initial cash prepayment may be paid by UniPixel in either secured loan notes or cash. CIT has also granted a royalty free Intellectual Property License for UniPixel to use CIT's know-how for metal mesh touch screen technology. UniPixel has been granted an option to extend the Patent and IPR Licenses beyond the initial five year term for a further 10 year term in exchange for annual royalty payments of 1.67% of net product sales. During this renewal term, total cumulative royalties are capped at US$8.25 million. Manufacturing will continue through to October.

COMPANY BALANCE SHEET AS AT 31 MARCH

	Notes	**2015**		2014	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	35	**141**		141	
Investment in subsidiary undertakings	36	**104,008**		110,634	
			104,149		110,775
Current assets					
Debtors - amounts falling due within one year	37	**53,917**		66,876	
Debtors - amounts falling due after more than one year	37	**183**		207	
Cash at bank and in hand		**660**		1,620	
		54,760		68,703	
Creditors - amounts falling due within one year					
Trade and other creditors	38	**97,511**		115,733	
		97,511		115,733	
Net current liabilities			**(42,751)**		(47,030)
Total assets less current liabilities			**61,398**		63,745
Creditors - amounts falling due after more than one year	39		**(29,660)**		(17,569)
Net assets excluding retirement benefits			**31,738**		46,176
Retirement benefits	41		**(9,705)**		-
Total net assets			**22,033**		46,176
Capital and reserves					
Called up share capital	24		**3,310**		3,303
Share premium	42		**-**		21,291
Merger reserve	42		**-**		8,785
Other reserves	42		**-**		1,330
Profit and loss account	42		**18,723**		11,467
Equity shareholders' funds			**22,033**		46,176

These accounts were approved by the board of directors on
9 June 2015 and were signed on its behalf by -

Michael Derbyshire
Robert Brooksbank } directors

9 June 2015

33 Accounting policies for the company

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

b) Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.
Under section 408(3) of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.
Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the consolidated cash flow for all group companies is included within the consolidated financial statements.
As these parent company financial statements are presented together with the consolidated financial statements the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. There were no transactions required to be disclosed in respect of Platform Diagnostics Limited the group's 60.3% subsidiary. The consolidated financial statements of Carclo plc, within which this company is included, are set out on pages 60 to 96.

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

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

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

f) Deferred taxation
Deferred taxation is recognised as a liability or asset if the transactions or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred by the balance sheet date.
Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

g) Pension benefits
The company operates a defined benefit pension scheme and also makes payments into defined contribution schemes for employees.
The liability in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains and losses. Actuarial gains and losses that arise are recognised in full with the movement recognised in the statement of total recognised gains and losses.
Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made the group has no further obligation.
Surpluses on the defined contribution schemes are capped at nil as there exists no right for the company to claim direct recovery of said surpluses from the scheme due to the requirements of FRS 17.

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

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.

34 Personnel expenses

	2015 £000	2014 £000
Wages and salaries	**1,206**	1,190
Social security contributions	**145**	157
Charge in respect of defined contribution and other pension plans	**79**	113
Share based payments (see note 24)	**330**	34
	1,760	1,494

The average number of employees in the year was 15 (2014-18).

35 Tangible assets

	Plant and equipment £000
Cost or valuation	
As at 1 April 2014	**926**
Additions	**44**
As at 31 March 2015	**970**
Depreciation	
As at 1 April 2014	**785**
Charge for the year	**44**
As at 31 March 2015	**829**
Book value 31 March 2015	**141**
Book value 31 March 2014	**141**

36 Investments in subsidiary undertakings

	At cost £000	Provision £000	Book value £000
As at 1 April 2014	**151,872**	**(41,238)**	**110,634**
Provision for impairment	**-**	**(6,626)**	**(6,626)**
As at 31 March 2015	**151,872**	**(47,864)**	**104,008**

During the year the company provided £1.884 million against its investment in CIT Technology Limited and £4.742 million against its investment in Jonas Woodhead & Sons Limited, both wholly owned English subsidiaries.

A list of the main subsidiary undertakings is given in note 31.

37 Debtors

	2015 £000	2014 £000
Debtors - amounts falling due within one year -		
Amounts owed by subsidiary undertakings	**52,201**	66,269
Other debtors	**520**	310
Prepayments	**186**	121
Taxation recoverable	**825**	-
Deferred taxation (see note 40)	**185**	176
	53,917	66,876
Debtors - amounts falling due after more than one year -		
Amounts owed by subsidiary undertakings	**183**	207

During the year the company provided £19.140 million against an amount owed by its subsidiary undertaking, CIT Technology Limited.

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

	2015	2014
	£000	£000
Bank overdraft	**3,165**	8,018
Trade creditors	**55**	52
Other taxes and social security costs	**58**	156
Other creditors	**83**	(166)
Accruals	**725**	400
Owed to subsidiary undertakings	**93,425**	107,273
	97,511	115,733

39 Creditors – amounts falling due after more than one year

	2015	2014
	£000	£000
Medium term loans	**29,660**	17,569
	29,660	17,569

40 Provisions for liabilities and charges

	Deferred taxation
	£000
As at 1 April 2014	**(176)**
Charged to the profit and loss account	**(9)**
As at 31 March 2015	**(185)**

Deferred taxation is as follows -

	2015	2014
	£000	£000
Decelerated capital allowances	**(180)**	(171)
Other short term timing differences	**(5)**	(5)
	(185)	(176)

The deferred tax balance is included in the following balance sheet heading -

Debtors	**185**	176

UK deferred taxation has been provided at 20% being the rate substantively enacted at the period end.

41 Retirement benefits

The group operates a defined benefit final salary pension scheme. Actuarial valuations are carried out every three years using appropriate methods as determined by the actuary. The scheme was subject to valuation at 31 March 2012.

The valuations used for the FRS 17 disclosures are based on the most recent actuarial valuations as detailed above and as updated by the scheme's actuary to assess the liabilities of the scheme as at 31 March 2015.

41 Retirement benefits continued

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

	2015	2014
Valuation method	**Projected unit**	Projected unit
Rate of increase in salaries	**N/A**	N/A
Rate of increase in pensions in payment	**1.95% to 3.05%**	2.35% to 3.45%
Discount rate	**3.20%**	4.40%
Inflation rate	**3.05%**	3.50%

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

	2015 £000	2014 £000
Equities and properties	**-**	115,495
Bonds and other	**188,992**	68,329
Total market value of assets	**188,992**	183,824
Actuarial value of liability	**(201,123)**	(183,585)
(Deficit) / surplus in the schemes	**(12,131)**	239
Asset cap	**-**	(239)
Related deferred tax asset	**2,426**	-
Net pension liability	**(9,705)**	-

	2015 £000	2014 £000
Amounts charged to other finance costs were -		
Net interest on the net defined benefit asset / (liability)	**34**	(659)
	34	(659)
Analysis of amounts recognised in the statement of total gains and losses -		
Actual return less interest on scheme assets	**6,380**	14,472
Changes in assumptions underlying the present value of scheme liabilities	**(19,823)**	893
	(13,443)	15,365
The amounts recognised in the balance sheet in respect of the defined benefit schemes are as follows -		
Present value of funded obligations	**(201,123)**	(183,585)
Fair value of scheme assets	**188,992**	183,824
Asset cap	**-**	(239)
Recognised liability for defined benefit obligations	**(12,131)**	-
Movements in the present value of defined benefit obligations and scheme assets -		
Liability at the start of the year	**183,585**	185,948
Net interest on the net defined benefit liability	**7,856**	7,976
Remeasurement (losses) / gains	**19,823**	(893)
Benefits paid	**(10,141)**	(9,446)
Liability at the end of the year	**201,123**	183,585

41 Retirement benefits continued

	2015 £000	2014 £000
Assets at start of the year	**183,824**	170,472
Expected return on scheme assets	**7,890**	7,317
Remeasurement gains	**6,380**	14,472
Contributions by employer	**1,039**	1,009
Benefits paid	**(10,141)**	(9,446)
Assets at end of the year	**188,992**	183,824

The history of experience gains and losses is shown in the following table -

	2015	2014
Difference between expected and actual return on scheme assets	**£6.380 million**	£14.472 million
Percentage of schemes assets	**3.4%**	7.9%
Experience gains and losses on scheme liabilities	**£0.433 million**	nil
Percentage of schemes liabilities	**0.2%**	nil%
Total amount recognised in statement of total recognised gains and losses	**(£13.204 million)**	£15.365 million
Percentage of schemes liabilities	**7.2%**	8.4%

42 Reserves

	Share premium £000	Merger reserve £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 April 2014	**21,291**	**8,785**	**1,330**	**11,467**	**42,873**
Retained deficit for the year	-	-	-	**(14,061)**	**(14,061)**
Share based payments	-	-	-	**330**	**330**
Remeasurement gains on retirement benefit obligations	-	-	-	**(13,204)**	**(13,204)**
Deferred tax on actuarial movement on retirement benefit obligations	-	-	-	**2,688**	**2,688**
Exercise of share options	**97**	-	-	-	**97**
Reduction of capital	**(21,388)**	-	**(1,330)**	**22,718**	-
Realisation of merger reserve	-	**(8,785)**	-	**8,785**	-
Balance at 31 March 2015	-	-	-	**18,723**	**18,723**

As discussed in note 25 the company completed a reduction of capital during the year.

In addition, during the year a review of the merger reserve was undertaken and it was concluded that the relevant investments had been fully impaired historically and that consequently the merger reserve could be considered to be distributable. Consequently it has been released to the profit and loss account.

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 2015 the plan held 3,077 shares (2014 - 3,077 shares). The original cost of these shares was £0.003 million (2014 - £0.003 million). The cost of the shares has been charged against retained earnings.

43 Operating leases

The annual commitment under non cancellable operating leases was as follows –

	Land and buildings		Other	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Leases expiring -				
Within one year	**-**	33	**-**	-
Within two to five years	**42**	-	**-**	-
	42	33	**-**	-

44 Contingent liabilities

The company has entered into cross guarantee arrangements relating to the bank borrowings of its UK subsidiary operations and a letter of credit in support of the term loan borrowings of the subsidiary operations in India. The maximum obligations under these arrangements at 31 March 2015 was £2.497 million (2014 - £4.548 million).

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

45 Profit and loss account

The loss after tax for the year dealt with in the accounts of the company amounts to £12.309 million (2014 - £2.173 million) which, after dividends of £1.752 million (2014 - £1.674 million), gives a retained loss for the year of £14.061 million (2014 - £3.736 million).

FIVE YEAR SUMMARY

	2015 £000	2014 £000	2013 restated £000	2012 restated £000	2011 restated £000
Revenue	**107,503**	97,267	86,514	93,267	88,645
Underlying operating profit	**7,789**	6,551	5,585	5,981	5,425
Non recurring items	**(31,668)**	(520)	(670)	(1,788)	226
(Loss) / profit before financing costs	**(23,879)**	6,031	4,915	4,193	5,651
Net financing charge	**(666)**	(1,260)	(1,698)	(1,120)	(1,443)
(Loss) / profit before tax	**(24,545)**	4,771	3,217	3,073	4,208
Overseas sales as a percentage of total sales	**68.0%**	69.1%	73.3%	71.0%	69.9%
Underlying operating margin	**7.2%**	6.7%	6.5%	6.4%	6.1%
Net margin	**(22.8%)**	4.9%	3.7%	3.3%	4.7%
Tax rate	**7.2%**	24.8%	12.7%	15.6%	11.4%
Earnings per share	**(33.2p)**	5.5p	4.3p	3.6p	5.4p
Underlying earnings per share	**7.9p**	6.1p	5.2p	5.8p	5.4p
Dividend per share	**2.75p**	2.65p	2.55p	2.4p	2.2p
Non current assets	**66,065**	86,686	87,712	79,634	73,738
Net current assets excluding cash, bank and finance leases	**16,705**	12,192	8,784	12,135	13,903
Net debt	**(24,518)**	(17,680)	(9,178)	(17,976)	(19,102)
Other non current liabilities	**(16,899)**	(6,642)	(22,196)	(28,519)	(14,208)
Total shareholders' funds	**41,353**	74,556	65,122	45,274	54,331
Post tax return on shareholders' funds	**(55.1%)**	4.8%	4.1%	5.7%	6.9%
Gearing (excluding net pensions balance)	**48.0%**	23.7%	11.9%	24.8%	30.0%
Assets per share	**62p**	113p	100p	73p	88p
Capital expenditure as a multiple of depreciation	**1.8x**	1.9x	2.5x	1.1x	2.2x
Average number of employees in year	**1,172**	1,112	1,073	1,051	1,074
Added value per employee	**£35,216**	£32,059	£31,515	£34,534	£32,437

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
2006	62p	100p	2011	239p	349p
2007	88p	132½p	2012	287½p	503p
2008	47½p	96p	2013	257p	501p
2009	48½p	150½p	2014	85¼p	292½p
2010	133½p	241½p	2015 to date	88p	169¾p

(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 2015/16

Annual general meeting 2015	3 September 2015
Final dividend for 2015 payable to members on the register on 28 August 2015	2 October 2015
Ex - dividend date	27 August 2015
Interim report for the half year ending 30 September 2015	17 November 2015
Preliminary announcement of the results for the year ending 31 March 2016	7 June 2016

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, 3 September 2015 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 2015.
2. To approve the directors' remuneration report for the year ended 31 March 2015 included within the 2015 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 elect P Slabbert as a director of the company
   F To 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 £1,103,152;
   (b) this authority shall expire on 1 December 2016 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 £165,473, 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 6,618,914;

(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 2016 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

26 June 2015

NOTES

1. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting.

2. The right of a member of the company to vote at the meeting will be determined by reference to the register of members. A member must be registered on that register as the holder of ordinary shares by 6.00 p.m. on 1 September 2015 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 1 September 2015. 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 20 June 2015 (the latest practicable date prior to the printing of this document) (i) the company's issued share capital consisted of 66,189,142 ordinary shares, carrying one vote each, and (ii) the total voting rights in the company were 66,189,142.

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/CREST. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Equiniti, (ID RA19), as the company's "issuer's agent", by 3.00 p.m. on 1 September 2015. 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 23 July 2015, 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.

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REGISTERED OFFICE: SPRINGSTONE HOUSE, PO BOX 88, 27 DEWSBURY ROAD, OSSETT, WEST YORKSHIRE WF5 9WS
T +44 (0) 1924 268040 F +44 (0) 1924 283226 W www.carclo-plc.com E investor.relations@carclo-plc.com

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