carclo

For immediate release 7 June 2016

Carclo plc
("Carclo" or "the group")

Carclo plc, the leading global manufacturer of fine tolerance parts for the Medical, Industrial, Aerospace and Luxury and Supercar Lighting markets, today announces its full year results for the year ended 31 March 2016.

Financial Highlights

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

*underlying is defined as before all exceptional items

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

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

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

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

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

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

Commenting on the results, Michael Derbyshire, chairman said -

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

Enquiries

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A presentation for analysts will be held at **11.00 a.m.** on 7 June 2016 at the offices of Weber Shandwick Financial, 2 Waterhouse Square, 140 Holborn, London EC1N 2AE.

Notes to editors

About Carclo

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

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

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

Glossary of non-standard terms

Term	Definition
COMPOUND ANNUAL GROWTH RATE ("CAGR")	Geometric progression ratio that provides a constant rate of return over a time period
OEM	Original equipment manufacturer
OPERATIONAL GEARING / OPERATING LEVERAGE	Ratio of fixed overheads to sales
UNDERLYING EBITDA	Annual result prior to the deduction of exceptional items, interest, taxes, depreciation and amortisation
UNDERLYING OPERATING PROFIT	Underlying profit is defined as before all exceptional items

Forward looking statements

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

Chairman's statement

Overview

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

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

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

The highlights for the year were –

Financial

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

Strategic and Operational

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

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

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

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

Dividend

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

Employees

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

Outlook

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

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

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

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

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

Michael Derbyshire
7 June 2016

OVERVIEW

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

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

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

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

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

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

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

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

Key Performance Indicators ("KPIs")

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

Carclo Diagnostics Solutions ("CDS")

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

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

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

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

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

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

Divisional review

Carclo Technical Plastics

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LED Technologies including Wipac

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

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

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

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

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

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

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

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

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

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

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

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

Aerospace (Formerly Precision Engineering)

Revenue increased marginally from £6.3 million to £6.4 million although operating profits reduced by £0.2 million to £1.3 million; the higher sales and lower profit reflected both the slower first half and the continued reduction in control cable supplies and the resulting switch to slightly lower margin machined components in their place. The second half of the year saw an increased level of activity versus the first

half and we finished the year with a good level of demand as our major end customer, the leading European aircraft manufacturer, continued to increase build rates of new aircraft. The spares market for components continued steadily and we have gained some momentum with the Tier 1 manufacturers during the year. Our cable business in France has continued to perform consistently as its products are predominantly used on French made aircraft, where demand has been steady. In the UK the new aircraft market has declined over the last decade and there are few remaining aircraft models being built and even fewer that utilise control cables. Our UK business has and will continue to move further towards machining OEM and spare components for the European civil aviation market and is well configured for this. We have a number of potentially large new spares programmes underway and we see good visibility over the current year. Overall, our Aerospace business is expected to generate sales and profits broadly consistent with recent years over the medium term.

Conclusion

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

Chris Malley

7 June 2016

Financial summary

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

* underlying is defined as before all exceptional items

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

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

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

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

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

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

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

Cash flow, net debt and gearing

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

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

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

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

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

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

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

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

Financing

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

The two main covenants in the facility agreements are underlying interest cover and the ratio of net debt to Underlying EBITDA, and the group had a very comfortable level of headroom on both of these covenants as at 31 March 2016. As part of the bank facility agreements, the group's bank has security in the form of guarantees from certain group companies and fixed and floating charges over the current assets of the group's three main UK trading subsidiaries.

Pensions

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

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

CIT Technology ("CIT")

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

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

Carclo Diagnostic Solutions ("CDS")

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

Robert Brooksbank

7 June 2016

Consolidated income statement
year ended 31 March

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

Consolidated statement of comprehensive income
year ended 31 March

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

Consolidated statement of financial position
as at 31 March

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

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

Michael Derbyshire
Robert Brooksbank } directors

7 June 2016

Consolidated statement of changes in equity

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

Consolidated statement of cash flows
year ended 31 March

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

Notes on the accounts

1. Notes on the preliminary statement

Basis of preparation

Whilst the financial information included in this preliminary statement has been prepared on the basis of the requirements of IFRSs in issue, as adopted by the European Union and effective at 31 March 2016, this statement does not itself contain sufficient information to comply with IFRS. The group expects to publish full consolidated financial statements on 24 June 2016.

The financial information set out in this preliminary statement does not constitute the company's consolidated financial statements for the years ended 31 March 2016 or 2015, but is derived from those financial statements. Statutory financial statements for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the company's annual general meeting. The auditor, KPMG LLP, has reported on those financial statements; its report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 in respect of the financial statements for 2016 and 2015.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). The group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these Financial Statements.

The group meets its day-to-day working capital requirements through its banking facilities. The group's business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing financial risks to which it is exposed are disclosed in the group's 2015 Annual Report and Accounts. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

Directors' liability

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

Responsibility statement of the directors in respect of the annual report

We confirm that to the best of our knowledge -

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the management report, which comprises the directors’ report and the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

2. Accounting policies

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group’s accounting period beginning on or after 1 April 2015. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2015:

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

Annual Improvements to IFRSs 2010 - 2012 Cycle; and

Annual Improvements to IFRSs 2011 - 2013 Cycle.

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

2. Accounting policies continued

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

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

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

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

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

Annual Improvements to IFRSs 2012 - 2014 Cycle; and

Disclosure Initiative (Amendments to IAS 1).

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

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

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

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

3. Segment reporting

At 31 March 2016, the group was organised into four, separately managed, business segments - Technical Plastics, LED Technologies, Aerospace (previously known as 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 Aerospace segment supplies systems to the manufacturing and aerospace industries.

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

The Unallocated segment also includes the group's development companies, Platform Diagnostics Limited and Carclo Diagnostic Solutions Limited, 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.

3. **Segment reporting** continued

Analysis by business segment

The segment results for the year ended 31 March 2016 were as follows -

	Technical Plastics £000	LED Technologies £000	Aerospace* £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	**71,953**	**40,483**	**6,386**	**1,647**	**-**	**(1,495)**	**118,974**
Less inter-segment revenue	**(1,480)**	**(15)**	**-**	**-**	**-**	**1,495**	**-**
Total external revenue	**70,473**	**40,468**	**6,386**	**1,647**	**-**	**-**	**118,974**
Expenses	**(64,281)**	**(35,104)**	**(5,057)**	**(1,760)**	**(2,738)**	**-**	**(108,940)**
Underlying operating profit	**6,192**	**5,364**	**1,329**	**(113)**	**(2,738)**	**-**	**10,034**
Impairment costs	**-**	**-**	**-**	**-**	**(4,858)**	**-**	**(4,858)**
Rationalisation costs	**(412)**	**-**	**-**	**477**	**-**	**-**	**65**
Litigation costs	**-**	**-**	**-**	**-**	**(64)**	**-**	**(64)**
Operating profit	**5,780**	**5,364**	**1,329**	**364**	**(7,660)**	**-**	**5,177**
Net finance expense							**(1,282)**
Income tax expense							**(1,708)**
Profit after tax							**2,187**
Consolidated statement of financial position							
Segment assets	**80,509**	**30,300**	**6,645**	**1,588**	**7,253**	**-**	**126,295**
Segment liabilities	**(13,655)**	**(6,746)**	**(820)**	**(935)**	**(71,272)**	**-**	**(93,428)**
Net assets	**66,854**	**23,554**	**5,825**	**653**	**(64,019)**	**-**	**32,867**
Other segmental information							
Capital expenditure on property, plant and equipment	**6,996**	**1,206**	**29**	**-**	**5**	**-**	**8,236**
Capital expenditure on computer software	**82**	**34**	**-**	**-**	**24**	**-**	**140**
Capital expenditure on other intangibles	**-**	**-**	**-**	**-**	**1,387**	**-**	**1,387**
Depreciation	**2,838**	**795**	**152**	**-**	**21**	**-**	**3,806**
Amortisation of computer software	**9**	**34**	**-**	**-**	**34**	**-**	**77**
Amortisation of other intangibles	**-**	**70**	**4**	**17**	**-**	**-**	**91**

3. **Segment reporting** continued

Analysis by business segment

The segment results for the year ended 31 March 2015 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace* £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	65,947	34,074	6,304	2,850	-	(1,672)	107,503
Less inter-segment revenue	(1,651)	(21)	-	-	-	1,672	-
Total external revenue	64,296	34,053	6,304	2,850	-	-	107,503
Expenses	(58,945)	(29,610)	(4,732)	(4,272)	(2,155)	-	(99,714)
Underlying operating profit	5,351	4,443	1,572	(1,422)	(2,155)	-	7,789
Impairment costs	-	-	-	(25,371)	(2,835)	-	(28,206)
Rationalisation costs	(3,351)	-	-	-	-	-	(3,351)
Litigation costs	-	-	-	-	(111)	-	(111)
Operating loss	2,000	4,443	1,572	(26,793)	(5,101)	-	(23,879)
Net finance expense							(666)
Income tax credit							1,772
Loss after tax							(22,773)
Consolidated statement of financial position							
Segment assets	72,325	22,328	6,464	5,701	8,609	-	115,427
Segment liabilities	(13,008)	(5,147)	(1,175)	(2,318)	(52,426)	-	(74,074)
Net assets	59,317	17,181	5,289	3,383	(43,817)	-	41,353
Other segmental information							
Capital expenditure on property, plant and equipment	3,810	2,127	316	80	3	-	6,336
Capital expenditure on computer software	13	41	-	-	42	-	96
Capital expenditure on other intangibles	-	-	-	400	945	-	1,345
Depreciation	2,423	657	125	380	28	-	3,613
Amortisation of computer software	12	40	1	-	17	-	70
Amortisation of other intangibles	-	113	-	616	-	-	729

* The Aerospace segment was previously known as Precision Engineering

3. Segment reporting continued

Analysis by geographical segment

The business operates in three main geographical regions – the United Kingdom, North America and in lower cost regions such as the Czech Republic, China and India.

The geographic analysis was as follows -

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

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

The material components of unallocated segment assets and liabilities are retirement benefit obligation net liabilities of £23.216 million (2015 – net liabilities of £12.131 million) and net borrowings of £37.519 million (2015 - £31.596 million).

One Technical Plastics customer accounted for 19.3% of group revenues (2015 – 22.8%) and one LED Technologies customer accounted for 14.5% of group revenues (2015 - 13.0%) and similar proportions of trade receivables. No other customer accounted for more than 10.0% of revenues in the year or prior year.

The unallocated segment relates to central costs and non-trading companies and also includes the group's development companies, Platform Diagnostics Limited and Carclo Diagnostic Solutions, until these companies start to achieve income streams for the group.

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

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

4. Exceptional costs

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

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

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

5. Earnings per share

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

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

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

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

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

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

The following table reconciles the group's profit / (loss) to underlying profit used in the numerator in calculating underlying earnings per share -

	2016	2015
	£000	£000
Profit / (loss) after tax, attributable to equity holders of the parent	**2,200**	**(21,942)**
Rationalisation costs, net of tax	**(77)**	**3,100**
Litigation costs, net of tax	**51**	**111**
Impairment costs, net of tax	**4,518**	**23,968**
Underlying profit attributable to equity holders of the parent	**6,692**	**5,237**

5. **Earnings per share** continued

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

	2016	2015
	Pence	Pence
Basic - continuing operations	**3.3**	(33.2)
Basic - discontinued operations	**0.0**	0.0
Basic – total	**3.3**	(33.2)
Diluted - continuing operations	**3.3**	(33.2)
Diluted - discontinued operations	**0.0**	0.0
Diluted – total	**3.3**	(33.2)
Underlying earnings per share – basic	**10.1**	7.9
Underlying earnings per share – diluted	**10.1**	7.9

6. **Dividends paid and proposed**

Ordinary dividends per 5 pence share paid or proposed in the period comprised -

		2016		2015
	£000	**Pence**	£000	Pence
Final dividend for 2013/14	**-**	-	-	-
Interim dividend for 2014/15	**-**	-	-	-
Final dividend for 2014/15	**1,258**	**1.90**	1,192	1.80
Interim dividend for 2015/16	**596**	**0.90**	563	0.85
	1,854	**2.80**	1,755	2.65

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

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

7. Retirement benefit obligations

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

In the UK, Carclo plc sponsors the Carclo Group Pension Scheme, a funded defined benefit pension scheme which provides defined benefits for some of its members. The scheme is administered and the assets are held within a trust which is legally separate from the company.

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

This scheme provides pensions and lump sums to members on retirement and to their dependants on death. The defined benefit scheme is closed to new entrants who now have the option of entering into a defined contribution scheme and the company has elected to cease future accrual for existing members of the defined benefit scheme such that members who have not yet retired are entitled to a deferred pension.

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

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

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

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

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

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

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

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

	2016	2015
	£000	£000
Liability at the start of the year	**201,123**	183,585
Net interest on the net defined benefit liability	**6,275**	7,856
Remeasurement (gains) / losses	**(382)**	19,823
Benefits paid	**(10,091)**	(10,141)
Liability at the end of the year	**196,925**	201,123

7. Retirement benefit obligations continued

	2016 £000	2015 £000
Assets at the start of the year	**188,992**	183,824
Interest on scheme assets	**5,904**	7,890
Remeasurement (losses) / gains	**(12,164)**	6,380
Contributions by employer	**1,068**	1,039
Benefits paid	**(10,091)**	(10,141)
Assets at the end of the year	**173,709**	188,992
Actual return on scheme assets	**(6,260)**	14,270

The fair value of scheme asset investments was as follows -

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

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

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

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

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

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

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

7. Retirement benefit obligations continued

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

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

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

	2016	2015
Discount rate at 31 March	**3.5%**	3.2%
Expected return on plan assets at 31 March	**N/A**	N/A
Future salary increases	**N/A**	N/A
Inflation	**3.00%**	3.05%
Future pension increases	**1.90%**	1.95%
Life expectancy for a male (current pensioner) aged 65	**18.4 years**	18.2 years
Life expectancy at 65 for a male aged 40	**20.1 years**	20.6 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2015 - 100%).

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

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

8. Ordinary share capital

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

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

9. Cash generated from operations

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