carclo

For immediate release 9 June 2015

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 2015.

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."

<u>Enquiries</u>

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A presentation for analysts will be held at **9.00 a.m.** on 9 June 2015 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 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.

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 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 highlights for the year were –

Financial

- 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% per share 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

Chief executive's review

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 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 risk. 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 infrastructure 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 healthcare 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, gives 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

Financial summary

	2015 £million	2014 £million
Revenue	**107.5**	97.3
Divisional underlying* operating profit	**9.9**	8.6
Unallocated	**(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 an analysis of this is set out in the table 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).

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% (2014 – 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.

Conductive Inkjet 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

Consolidated income statement
year ended 31 March

	Notes	2015 £000	2014 £000
Revenue	3	**107,503**	97,267
Underlying operating profit			
Operating profit before exceptional items		**7,789**	6,551
- rationalisation costs	4	**(3,351)**	(92)
- litigation costs	4	**(111)**	(428)
- impairment of CIT Technology	4	**(25,371)**	-
- impairment of Platform Diagnostics	4	**(2,835)**	-
After exceptional items		**(23,879)**	6,031
Operating (loss) / profit	3	**(23,879)**	6,031
Finance revenue		**64**	16
Finance expense		**(730)**	(1,276)
(Loss) / profit before tax		**(24,545)**	4,771
Income tax credit / (expense)		**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		**-**	(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	5		
Basic		**(33.2) p**	5.5 p
Diluted		**(33.2) p**	5.5 p

Consolidated statement of comprehensive income
year ended 31 March

	2015 £000	2014 £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 in the change in rate of deferred taxation	**-**	222
Total items that are or may in the future be classified to the income statement	**1,501**	(2,807)
Other comprehensive income, net of 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		**26,000**	45,994
Property, plant and equipment		**31,721**	35,657
Investments		**7**	7
Deferred tax assets		**8,337**	4,789
Retirement benefit obligations	7	**-**	239
Total non current assets		**66,065**	86,686
Inventories		**13,440**	13,363
Trade and other receivables		**24,367**	21,136
Cash and cash deposits		**10,855**	11,764
Non current assets classified as held for sale		**700**	
Total current assets		**49,362**	46,263
Total assets		**115,427**	132,949
Liabilities			
Interest bearing loans and borrowings		**29,660**	17,569
Deferred tax liabilities		**4,768**	6,642
Retirement benefit obligations	7	**12,131**	-
Total non current liabilities		**46,559**	24,211
Trade and other payables		**17,219**	20,163
Current tax liabilities		**2,380**	2,144
Provisions		**2,203**	-
Interest bearing loans and borrowings		**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	8	**3,310**	3,303
Share premium		**-**	21,291
Other reserves		**2,254**	3,584
Translation reserve		**3,267**	1,766
Retained earnings		**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)
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**
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**

Consolidated statement of cash flows
year ended 31 March

	Notes	2015 £000	2014 £000
Cash generated from operations	9	**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)

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 2015, this statement does not itself contain sufficient information to comply with IFRS. The group expects to publish full consolidated financial statements on 26 June 2015.

The financial information set out in this preliminary statement does not constitute the company's consolidated financial statements for the years ended 31 March 2015 or 2014, but is derived from those financial statements. Statutory financial statements for 2014 have been delivered to the Registrar of Companies and those for 2015 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 2015 and 2014.

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 2014 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 2014. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2014:

IFRS 10 – “Consolidated Financial Statements” and IAS 27 – “Separate Financial Statements”;

IFRS 12 – “Disclosure of Interest in Other 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”; and

IFRIC 21 – “Levies”

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 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; and

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.

3. 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 on to 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 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)**
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	**-**	**103**	**-**	**616**	**-**	**-**	**719**

3. **Segment reporting** continued

Analysis by business segment

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
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

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	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £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).

4. 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)**	-
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 £0.25 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.

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. 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.

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 Limited has been completed. As a result an impairment of £0.516 million has been recognised in respect of goodwill and £2.319 million in respect of patents and development costs related to Platform Diagnostics Limited.

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 -

	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 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 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 costs, net of tax	**23,968**	-
Loss on disposal of discontinued operations, net of tax	**-**	37
Underlying profit attributable to equity holders of the parent	**5,237**	4,035

5. **Earnings per share** continued

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

	2015	2014
	Pence	Pence
Basic - continuing operations	**(33.2)**	5.5
Basic - discontinued operations	**0.0**	(0.0)
Basic – total	**(33.2)**	5.5
Diluted - continuing operations	**(33.2)**	5.5
Diluted - discontinued operations	**0.0**	(0.0)
Diluted – total	**(33.2)**	5.5
Underlying earnings per share – basic	**7.9**	6.1
Underlying earnings per share – diluted	**7.9**	6.1

6. Dividends paid and proposed

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

	2015		2014	
	£000	**Pence**	£000	Pence
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.

7. 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	2014
	£000	£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

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

	2015	2014
	£000	£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	2014
	£000	£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

7. **Retirement benefit obligations** continued

	2015	2014
	£000	£000
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	2014
	£000	£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 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 income recognised in the consolidated income statement -

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

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 £14.516 million.

The current best estimate of employer cash contributions to be paid in the year ending 31 March 2015 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	**3.2%**	4.4%
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 £000	2014 £000
Present value of funded obligation	**(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

8. Ordinary share capital

	Number of Shares	**£000**
Ordinary shares of 5 pence each		
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.

9. 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	**(1,032)**	(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	**6,540**	-
Exceptional impairment of intangible assets, arising on rationalisation of business	**20,660**	-
Loss / (profit) on disposal of other plant and equipment	**397**	(25)
Provisions charged in respect of rationalisation	**2,203**	-
Share based payment charge	**330**	34
Operating cash flow before changes in working capital	**9,631**	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	**(3,549)**	(363)
Cash generated from operations	**3,549**	5,627