carclo

Annual Report 2017

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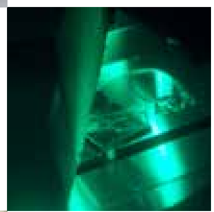


global manufacturer

Global contract
manufacturer to
medical market

Leading designer
and manufacturer
for luxury and
supercar LED
Lighting

Leading supplier
of control cables
in Europe

Carclo is a leading global manufacturer of fine tolerance parts for the medical, industrial, aerospace and premium automotive lighting markets.

in summary

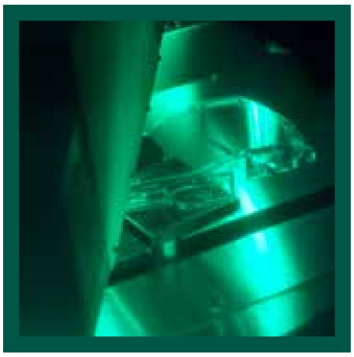
Carclo plc is a public company whose shares are quoted on the Main Market of the London Stock Exchange.

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

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

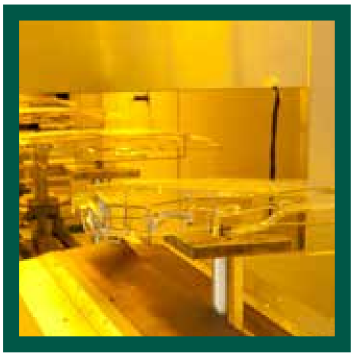
The highlights for the year to 31 March 2017 are summarised below -

Financial Highlights	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Revenue		
Technical Plastics	**87,814**	70,473
LED Technologies	**43,419**	40,468
Aerospace	**7,049**	6,386
CIT Technology	**-**	1,647
Total	**138,282**	**118,974**
Underlying* operating profit		
Technical Plastics	**8,707**	6,192
LED Technologies	**5,885**	5,364
Aerospace	**1,303**	1,329
CIT Technology	**-**	(113)
	15,895	**12,772**
Unallocated	**(3,397)**	(2,738)
Total	**12,498**	**10,034**
Exceptional items	**(541)**	**(4,857)**
Operating profit	**11,957**	**5,177**
Underlying* profit before tax	**11,019**	**8,752**
Profit before tax	**10,478**	**3,895**
Basic earnings per share	**11.5p**	**3.3p**
Underlying* earnings per share	**12.1p**	**10.1p**
Total dividend per share	**0.0p**	**0.90p**
Net debt	**26,025**	**24,750**
IAS 19 retirement benefit obligations	**32,503**	**23,216**



- Revenue increased by 16.2% to £138.3 million, reflecting continued strong sales progression across our businesses and a fourth consecutive year of double-digit growth
- Operating profit more than doubled to £12.0 million from £5.2 million in the previous year
- Divisional underlying* operating profit was £15.9 million (2016 – £12.8 million) and Group underlying* operating profit was £12.5 million (2016 – £10.0 million) up 24.6% on the prior year
- Profit before tax of £10.5 million (2016 - £3.9 million). Underlying* profit before tax of £11.0 million (2016 - £8.8 million) up 25.9% on the prior year
- Continuing growth in revenue and operating margins in Technical Plastics
- Another excellent performance by LED Technologies, once again driven by the Wipac luxury and supercar lighting business
- Completed acquisition of Precision Tool and Die (within the Technical Plastics division) and FLTC (Europe) (within the LED Technologies Division)
- Strong orderbook and momentum into the new financial year

*Underlying is defined as before all exceptional items



Commenting on the results, Michael Derbyshire, Chairman said -

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

Our growth throughout the year has continued to be strong and was in line with the Board's expectations. This growth has driven a significant increase in profitability.

We closed the year with an exciting pipeline of opportunities across our businesses and we expect the growth that we have seen in recent years to continue.

I remain confident that our strategies are working and that we are well placed to increase the Group's profitability through the coming years."

Forward looking statements

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

chairman's statement

Overview

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

In the year ended 31 March 2017, Carclo reported double-digit growth in revenues for the fourth year in a row, which resulted in a 24.6% increase in underlying operating profits. The Group has also continued to invest in its growth opportunities, both organically through the expansion of existing facilities, and by acquisition, with the purchase of Precision Tool and Die ("PTD") and FLTC (Europe) ("FLTC").

The acquisition of PTD provides significant new capabilities to the CTP division and enhances its offering to the key, fast-growing medical device sector.

The acquisition of FLTC adds skills, capabilities and further design resources to our LED Technologies Wipac supercar and luxury car lighting business which will help it to realise its growth strategy.

These acquisitions, the completed expansions of our CTP facilities in Mitcham, UK and Tucson, US, and the ongoing expansions of our CTP facilities in Bangalore, India and Mitcham, UK and our Wipac facility in Buckingham support our previously stated long term objectives to grow revenue, increase underlying operating profit margins and generate an improved return on investment.

The highlights for the year were –

Financial

- Revenue increased by 16.2% to £138.3 million, reflecting strong sales progression across our businesses and a fourth consecutive year of double-digit growth
- Divisional underlying operating profit was £15.9 million (2016 - £12.8 million) and Group underlying operating profit was £12.5 million (2016 - £10.0 million), up 24.6% on the prior year (up 22.0% on a constant currency basis)
- Net exceptional charge of £0.5 million (2016 - £4.9 million) related predominantly to property costs in respect of previously exited businesses
- Underlying profit before tax of £11.0 million (2016 - £8.8 million), up 25.9% on the prior year
- Group reported profit before tax of £10.5 million (2016 – £3.9 million)
- Earnings per share increased to 11.5 pence (2016 – 3.3 pence), up 248.5%
- Underlying earnings per share increased to 12.1 pence (2016 - 10.1 pence), up 19.8%
- Group capital expenditure (excluding items acquired as part of the acquisitions in the year) was £8.2 million (2016 - £8.2 million), reflecting our investment strategy to deliver sustainable growth and increase return on capital over the coming years
- Net debt was in line with the Board's expectations at £26.0 million; this was slightly higher than the prior year (£24.7 million) due to the level of investment in the year
- The Group's pension deficit net of applicable deferred tax under IAS 19 "Employee Benefits" has increased to £27.0 million (2016 - £18.9 million); this represents a sharp reduction on the £42.6 million net deficit reported in the Interim Report

Strategic and Operational

- In CTP, revenue, underlying operating profits and margins all increased for a fourth consecutive year. Underlying operating profit increased from £6.2 million to £8.7 million with the operating margin at 9.9%, up from last year's 8.8%. On a constant currency basis, the operating margin exceeded the Board's target of 10%, at 10.2%. We have continued to increase our geographical footprint with the successful completion of the first stage of expansion at Mitcham, UK and the white room expansion at Tucson, US. The second facility at Bangalore, India will be completed in summer 2017 and the second stage of the Mitcham expansion is also underway. The financial year also saw the acquisition of PTD which expands the division's capacity and capabilities. We have been successful in expanding our customer base in the key medical device sector both through our existing businesses and via the acquisition of PTD.

- LED Technologies enjoyed another excellent year with a further increase in sales and underlying operating profit. The Wipac luxury and supercar lighting business has continued to generate large numbers of design wins in the luxury supercar segment and we secured a new programme in the mid-volume sports and premium car sector during the financial year. These firmly underpin the growth strategy of this division. We will be expanding the Buckingham, UK site in order to fully support this business and its customers. At the end of the financial year, the acquisition of FLTC was completed and this gives us an immediate increase in design resources and the potential to further expand this business when opportunities arise.

- The Aerospace division has again generated strong profits and cash flows. The division has continued to win new business to replace programmes that complete.

Dividend

On 31 August 2016 the Group announced that subsequent to the EU Referendum result on 23 June, there had been a sharp reduction in the corporate bond yield used to discount the Group's pension liability under IAS 19 which is held within the Group holding company, Carclo plc. As a result of this, the final dividend of 1.95 pence per share, could not be paid on 7 October 2016.

The Board recognises the need to reward shareholders and for them to participate in the growing profitability of the business and it intends to recommence dividend payments in the 2018/19 financial year provided that the level of distributable reserves is sufficient such that a sustainable and regular dividend can be reintroduced.

Employees

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

Outlook

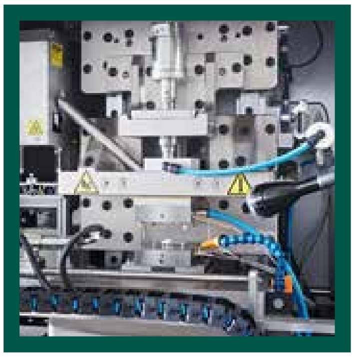
The Group's strategy over recent years has been to create sustainable growth in revenues and operating profits through the development of innovative and highly efficient solutions for our existing and new customers to ensure that they see real benefits accruing from working in partnership with us.

Our growth throughout the year has continued to be strong and was in line with the Board's expectations. This growth has driven a significant increase in profitability.

We closed the year with an exciting pipeline of opportunities across our businesses and we expect the growth that we have seen in recent years to continue.

I remain confident that our strategies are working and that we are well placed to increase the Group's profitability through the coming years.

Michael Derbyshire
6 June 2017



strategic report

principal activities, business model & strategic KPIs

Principal activities

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

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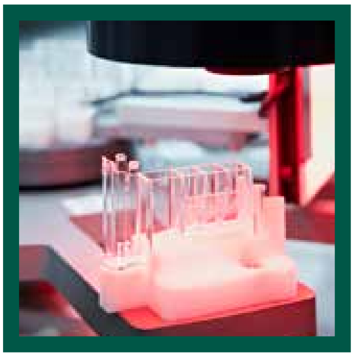


Approximately three fifths of Group revenues are generated from the supply of fine tolerance, injection moulded plastic components, mainly for medical products. The balance of Group revenue is derived mainly from the design and supply of specialised injection moulded LED based lighting systems to the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

Business model

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

Customer Interactions

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

Customer Satisfaction

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

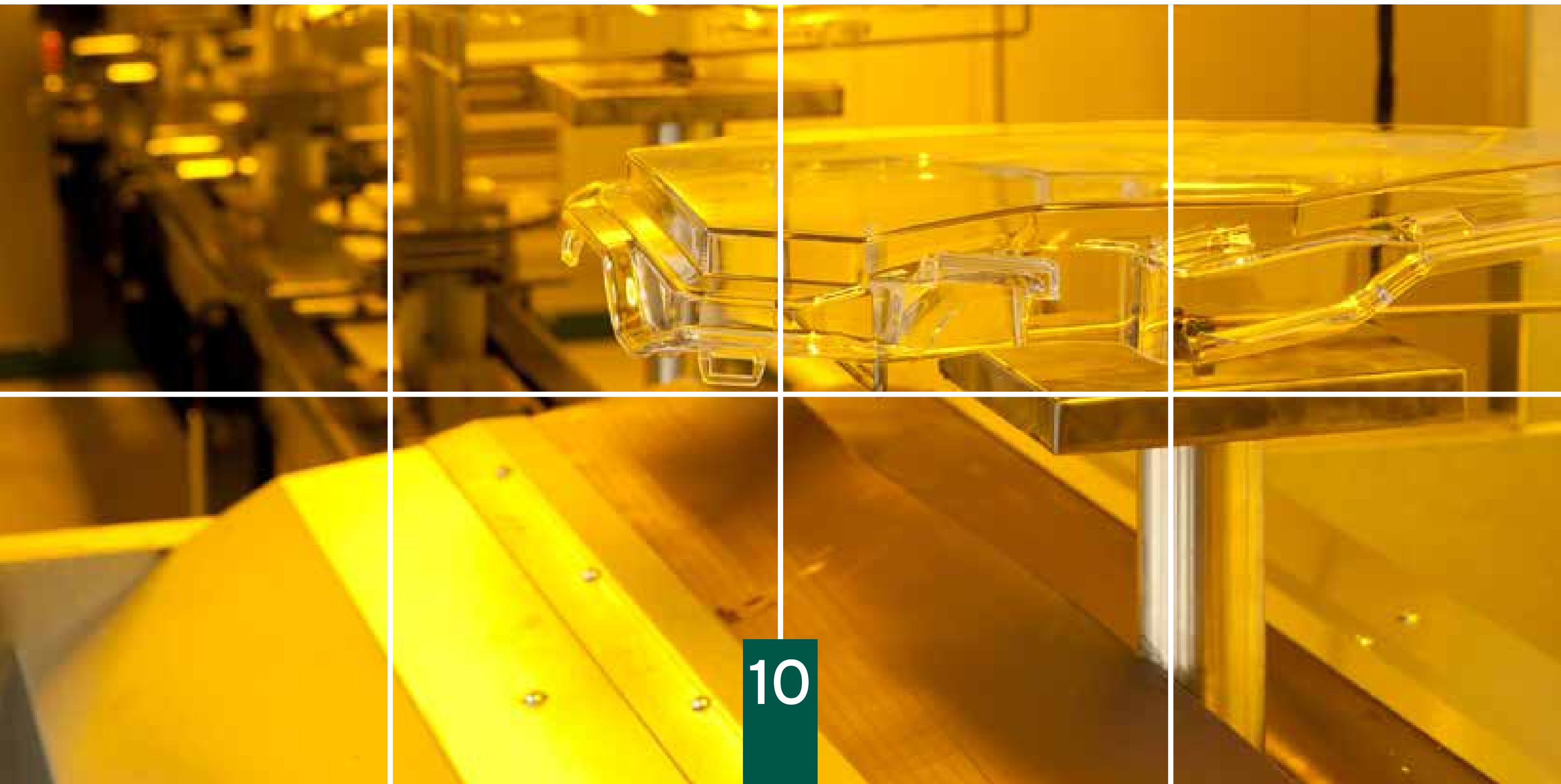
Global Footprint

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

principal activities, business model & strategic KPIs CONTINUED

Responsive Culture

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



Strategic KPIs

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

Revenue Growth

Definition and method of calculation

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

Explanation of importance

Helps to monitor our success in growing the business.

Underlying Operating Profit Margin

Definition and method of calculation

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

Explanation of importance

Helps to monitor our success in turning sales into profits.

Return on Investment

Definition and method of calculation

Return on investment measures the underlying operating profit as a percentage of our annual investment in intangible assets and property, plant and equipment, calculated on a 5-year rolling average basis. In 2016/17 this includes the acquisition of Precision Tool and Die and FLTC (Europe) a.s. The underlying operating profit of and the investment in CIT Technology, Carclo Diagnostic Solutions and Platform Diagnostics have been excluded from this measure in order to give a meaningful benchmark for future comparison.

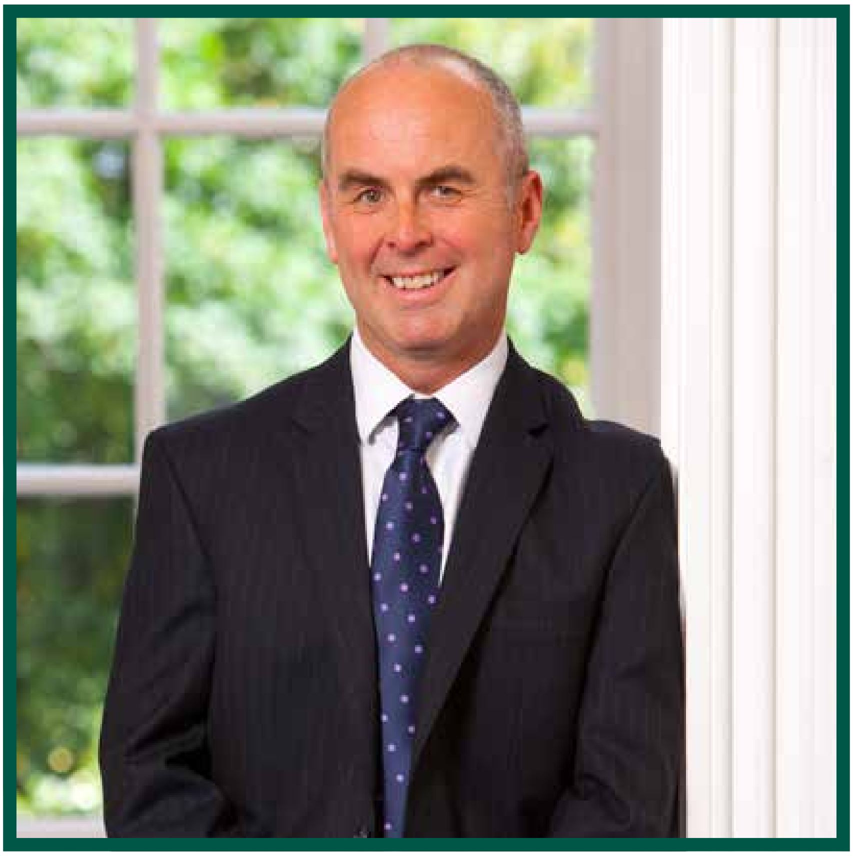
Explanation of importance

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

chief executive's review

Overview

The Group achieved a fourth consecutive year of double digit growth in revenues, with a 16.2% increase during the year (10% increase at constant currency). The Group also successfully completed two acquisitions which will drive further growth. Precision Tool and Die ("PTD") was acquired in October 2016 by the Technical Plastics ("CTP") division and, in March 2017, FLTC (Europe) ("FLTC") was acquired to expand the capabilities of the LED Technologies division.



Operating profit more than doubled from £5.2 million to £12.0 million and underlying Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased from £14.0 million to £17.2 million during the year.

Operating margins in our two main divisions improved further during the period. The Group's strategy of increasing its customer base together with developing and expanding its manufacturing locations has been pivotal to its successful growth to date and there remains considerable opportunity to continue this strong track record. Overall, the Group increased its underlying operating margin by 60 bps from 8.4% to 9.0%.

Our CTP division continued to increase its focus on the medical device sector and, through the acquisition of PTD, extended its reach into a further three of the Top 20 global medical device manufacturers, lifting its coverage to 10 of these manufacturers in total. CTP is increasingly seen by its customers as a dynamic, well invested and global partner and we have continued to win new technically complex programs that will serve us well into the future. Our strategy of revenue growth has been supported by expanding our capabilities in each of our operations to meet our customer needs and to further allow us to develop and deliver new projects for both existing and new customers. During the year we have expanded our Mitcham, UK and Tucson, US, operations and further expansions in the UK and India are underway for completion later in 2017. As before, all expansions are underpinned by previously awarded customer programmes.

Our LED Technologies division has now secured a second mid volume lighting programme for a prestigious new hybrid vehicle and our further progress into this segment will drive continued long term growth of revenues and margins in this business. Our ability to provide unique custom design and technical plastics manufacturing solutions to our customers, for whom characteristics such as lower weight or higher power efficiency are important, means that we are able to differentiate ourselves from our mainstream competitors. We have achieved successful product launches during the year for customers including Aston Martin and McLaren Automotive. We will soon commence the planned expansion of the main Buckingham, UK site and this will be completed by late 2017. This expansion increases production capacity for the mid-volume contract business. Our acquisition of FLTC, now renamed Wipac Czech, has provided us with an experienced and skilled workforce and has also given us a first footprint for the Wipac operations within Continental Europe, thereby facilitating a range of alternate expansion options in the future.

Our Aerospace business has again performed solidly, and whilst most of its revenues are generated from the supply of aircraft control cables into a declining market, our business has continued to diversify its product portfolio into a range of machined components, thus maintaining our overall profitability. The business remains highly cash generative.

As planned, we maintained a high level of capital investment within the Group at £8.2 million versus £8.2 million in the prior year. Our primary investments during the year were in our CTP division where we have added production equipment for new manufacturing contracts and also where we have completed the initial expansion of our Mitcham, UK production site. We have also invested in production equipment within the Wipac operations of the LED Technologies division. Our capital expenditure programme will continue into the medium term as we capitalise on a strong pipeline of new opportunities across our entire business. However improvements in free cash flow, resulting from profits generated from recent investments, mean that future capital expenditure will begin to reduce as a proportion of our overall free cash flows.

Our criteria for all major capital investment continues to require that such investments enhance our Return on Investment (ROI) performance in the medium term. Over the past four years our ROI has increased from 140.1% to 160.6% on a like for like basis. This is lower than the previous year due to the timing of our investments in PTD and FLTC.

Key Performance Indicators ("KPIs")

Our three primary operational KPIs cover return on investment, revenue growth and improvements in operating margin. Alongside these KPIs we have a range of other KPIs covering key areas including employee safety, customer satisfaction, and other operational performance measures. Having started the new financial year, we believe that the three primary KPIs continue to be those that we should judge ourselves on and be measured against by our stakeholders.

Divisional review

Carclo Technical Plastics ("CTP")

Revenues increased from £70.5 million to £87.8 million (£79.3 million at constant currency), an increase of 24.6% (12.5% at constant currency). Underlying operating profit increased from £6.2 million to £8.7 million with the operating margin at 9.9%, up from last year's 8.8%. Operating margin at constant currency exceeded our target of 10%, at 10.2%.

Market demand has remained strong with the larger medical device customers continuing to increase their global outlook and therefore seeking technical moulders that offer suitable global footprints. CTP enjoyed a record year of new business wins and closed the year with its largest ever "pipeline" of new opportunities. Europe and the US remained focal points for medical product growth with China also showing positive opportunities. There continued to be some customer consolidation within the medical device sector, which we see as providing opportunities to CTP. There has been minor consolidation across our competitors, but the vast majority of competitor activity has been focussed on organic expansion and we believe that our competitive position has been enhanced during the year as our global footprint has been expanded and its quality further improved.

Our Mitcham facility in the UK has completed its first phase of expansion to facilitate our immediate capacity needs from current organic growth. The second phase is underway and will be completed later in 2017. This is predominantly for a major project for Becton Dickinson to manufacture part of its Vystra disposable pen for use in the delivery of insulin and other liquid pharmaceuticals. Production is expected to commence in 2018, following a large validation process later this year.

We completed the conversion of a newly leased unit at our Tucson, US facility, into a white room moulding unit mainly for a West Coast US medical customer. This new unit began production ahead of our target date and is running well.

Construction at our Bangalore facility in India was underway at the year-end and the new building is on target to be operational in the summer of 2017 to meet demand from our major electronics customer in this region for technical parts and assemblies. This expansion will also provide us with growth potential as we develop new customers.

This division's capacity has increased during the year reflecting its growth in revenues. Our existing available capacity is predominantly in our Chinese and Czech Republic operations and therefore these regions will be our focus for growth during the forthcoming financial year. Our next organic expansion is likely to focus in the US where we are looking at several options to expand PTD in New Hampshire to cope with the likely project wins from opportunities in our existing sales pipeline. During the current financial year we will be further developing our medical units within our Czech Republic site as we focus on increasing the medical content within this operation.

Last year, we reported on the progress we had made in our site in Taicang, China, firstly on the completion of our new facility and subsequently relocating our Shanghai operations into this site. We confirmed we had begun production for an existing global medical device customer and we are pleased to report that our production capacity for this customer expanded during the year and is set to increase again during the current financial year. We have also secured a further five new medical programmes for other customers during the year. We anticipate strong growth and a positive financial contribution from our Taicang operations during the current financial year.

We acquired PTD in October 2016 and this business has been successfully integrated within our CTP Inc. entity and under our US management team. Customer reaction to our acquisition has been positive and its financial contribution during the year was consistent with our initial expectations. The rationale for acquiring the business was to drive further new projects into the wider CTP business from PTD customers and provide tool making capabilities within the USA to facilitate shorter lead-times for our customers. This is often essential where customers are in early phases of product launches. It also provides a manufacturing base within the wider Boston area, which is a major location for many of the leading global medical device manufacturers. During the initial period of ownership, we have won several such synergistic programmes; we have generated tool making projects for existing CTP customers that also contain volume manufacturing programmes, and we have also generated a CTP manufacturing project for PTD. We have a number of further synergistic opportunities in our pipeline.

New business wins in the medical device sector within CTP typically take between one and two years before making a positive financial contribution to the business and often require capital investment one year ahead of the programme entering production. Whilst this distorts our short-term ROIs and operating margin, due to the costs and inefficiencies associated with validating the production tools and processes, it remains an essential feature of our business. During growth periods the level of distortion is particularly strong as the number of validations restricts available production machine hours and leads to labour and material usage variances.

Sales into the medical device sector did not change materially with 72.8% (2016 72.3%) of the division's revenues coming from this market, with the balance being derived mainly from the Electronics and Automotive markets. Once again, most of our medical device customers have seen continued growth and we estimate this to have averaged 4% during the year.

CTP has successfully delivered four years of strong growth and with our sales pipeline at record levels and our strategic planning activities now well developed, we expect to see this growth continue into the future. Consequently, we need to ensure that we continue to plan and invest in appropriate capacity to facilitate this. While we do not expect operating margin percentages to grow significantly beyond the current levels, we see the opportunity to grow our profits and ROI substantially from this business by further increasing top line sales.

LED Technologies including Wipac

The LED Technologies division has delivered another year of growth and, more significantly, has continued with its strategic goal of further expanding its reach into the mid-volume lighting segment by winning a new contract during the year. The Division was not materially impacted by currency movements and enjoyed revenue growth from £40.5 million to £43.4 million during the year. Underlying operating profit increased to £5.9 million from £5.4 million in the prior year, an improvement of 9.7%. Revenue and underlying operating profit increased proportionately from both the Wipac and Optics businesses.

The Wipac business continued to win new contracts within its traditionally targeted luxury and supercar segment with all design wins coming from established customers. The pipeline of new opportunities in this segment remains strong as we see a continued expansion of model ranges from our customers, particularly in the supercar category. We have also seen a number of new enquiries for electric vehicle lighting packages from existing and new customers and we believe that this vehicle category will provide us with further opportunities into the future as customer volume targets predominantly span the low to medium volume segments.

Our execution of both the design and product release phases for new vehicle programmes remains of a high standard and this is highlighted by the continuing business wins we achieve from our existing customers. We have been engaged in extensive technical planning activities with our initial mid-volume customer. This has enhanced our knowledge in the key scale-up requirements of the programme and will assist us significantly in ensuring that the lighting builds meet their target dates and standards. The manufacturing release date of this vehicle remains on track for late 2019. We have delivered all pre-production variants on time and to the standard required and the customer remains very satisfied with our performance.

Critical to us gaining further traction with mid-volume opportunities has been our ability to demonstrate design resource capacity. As previously reported, the availability of skilled human resources from within our industry in the UK is scarce and therefore we determined last year that an acquisition of a design business would be critical in order to realise our growth strategy aspirations.

FLTC, now renamed Wipac Czech, was acquired in March 2017 to meet this objective and the business has already been integrated into Wipac's operations. Final integration of systems and procedures will be completed by the summer of 2017. Customer reaction to this acquisition has been very positive with FLTC already known by most key customers, both directly and indirectly as a sub-contract vendor to Wipac. Wipac Czech not only provides us with an immediate increase in resources but with its location in Ostrava, Czech Republic, Wipac Czech is very well placed to further attract and recruit skilled personnel from the large automotive cluster in the region. Wipac Czech also provides Wipac with opportunities to undertake low volume assembly programmes in the region in the medium term. This acquisition was a decisive factor in Wipac winning its second mid-volume programme during the year.

The award of a second mid-volume programme for Wipac was announced in April 2017. This second mid volume programme is for Day Time Running Lights ("DRLs") for a hybrid vehicle for a European automotive manufacturer. The annual production value of this programme is lower than our first mid-volume programme and consequently, the initial Wipac investment in working capital for the design and tooling phases is also lower so this programme is a good fit for our strategy. This DRL programme is also one of a number of such programmes planned by this customer so there will be the opportunity to win further such awards. This award came slightly earlier than we had expected and we remain focussed on winning one mid volume programme per year with the next being targeted for 2018. Whilst this is our aim, the lower working capital commitment of this second award, together with the FLTC acquisition, does provide us with some scope to take on a further programme earlier if this matches our customers' requirements.

In addition, a programme awarded last year has had higher volumes confirmed by our customer such that it now falls within our definition of "mid-volume" vehicles, that is production volumes in the range of 10,000 to 30,000 vehicles per year; this previous award can therefore be considered another mid-volume programme. Consequently, over the next eighteen months three dedicated mid-volume production cells are being created within Wipac's Buckingham facility, essentially consuming the remaining free space. Our plans to extend our building on the existing site were already well developed and initial planning permission was approved towards the end of the financial year. We intend to construct a 1,000 sqm warehouse adjacent to the main factory during 2017 into which all the existing warehousing from the facility will be relocated. This will free up capacity for a further three mid-volume manufacturing production cells within the main factory to provide the resources to grow the business in line with previously announced targets. In addition, the transfer of Optics moulding from Wipac to our Czech based CTP site is also underway and this will release manufacturing space and mean that the facility is solely dedicated to automotive programmes. Our planning application has a second, larger, phase that would extend the main factory and we expect that this extension may be committed within the next 2-3 years to meet the next wave of customer demand.

Our capital expenditure in Wipac in the year focused mainly on injection moulding machines to support recent programme wins with particular regard to their multi-colour and larger size requirements.

The other businesses within LED Technologies, Optics and Aftermarket, had another year of good sales growth with increasing demand for custom optic components from OEMs. We anticipate continued growth in this area and we expect that our strategy to move manufacturing to CTP's Czech Republic operation will ensure that our cost base is more aligned to this end market.

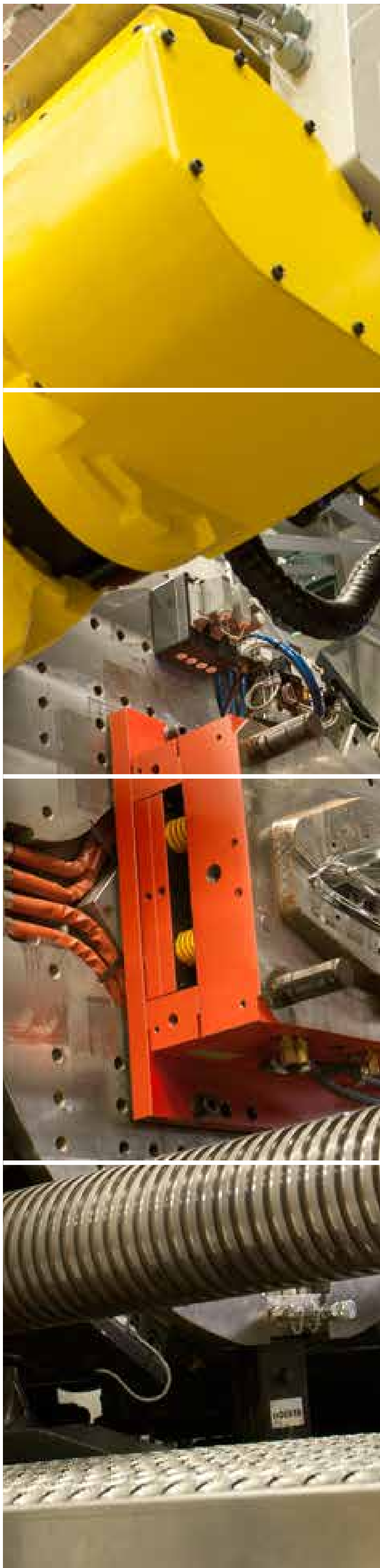
Aerospace

Revenue increased from £6.4 million to £7.0 million and underlying operating profits remained level at £1.3 million. The lack of growth in operating profits mainly reflects the lower margin nature of the growing machined components business versus the traditional, but declining, cable business. Demand throughout the year was relatively stable and the business has been focussed on developing new programmes to offset some programmes terminating during the new financial year; good progress has been made in this regard. Our UK business has proven to be robust at offsetting the inevitable decline in the aircraft cable market through its pre-existing CNC machining capabilities and we expect to see this feature of the business continue. The overall market remains relatively stable, with the growth in European civil aircraft production steady, albeit changes in production rates on aircraft can cause some variability in demand.

Conclusion

The Group has yet again delivered a strong trading performance during the year and made excellent progress in implementing its stated strategic objectives. The two acquisitions made during the year are well aligned to our strategy and we have been successful in rapidly integrating both companies into the Group. Having exited the year with record order intake and pipeline within CTP and with the early delivery of our objective for Wipac of securing a second mid-volume lighting programme, we remain on course to deliver strong improvements in returns over the coming years to our shareholders.

Chris Malley
6 June 2017



finance director's review

Financial summary

	2017 £million	2016 £million
Revenue	138.3	119.0
Divisional underlying* operating profit	15.9	12.8
Unallocated costs	(3.4)	(2.8)
Underlying operating profit	12.5	10.0
Exceptional items	(0.5)	(4.9)
Net bank interest	(0.7)	(0.9)
IAS 19 net financing charge	(0.8)	(0.4)
Underlying* profit before tax	11.0	8.8
Profit before tax	10.5	3.9
Income tax expense	(2.5)	(1.7)
Profit attributable to ordinary shareholders	8.0	2.2
Ordinary dividend paid or declared	-	(0.6)
Profit for the year	8.0	1.6
Divisional underlying* operating margin from continuing operations	11.5%	10.7%
Basic earnings per share	11.5p	3.3p
Underlying* earnings per share	12.1p	10.1p

*underlying profit is defined as before all exceptional items

Group revenue in the year ended 31 March 2017 was £138.3 million (2016 - £119.0 million). The 16.2% Group sales increase was due to strong revenue growth in both Technical Plastics ("CTP") and LED Technologies ("LED") and the impact of weaker sterling on the retranslation of overseas sales. The increase in revenue was just over 10% at constant currency. CTP reported revenues of £87.8 million (2016 - £70.5 million), benefitting from a stronger performance in the second half of the year as expected. LED reported revenues increasing to £43.4 million (2016 - £40.5 million), with good growth in its supercar lighting business. The Aerospace division saw revenue increase to £7.0 million (2016 - £6.4 million).

Divisional underlying operating profit was £15.9 million (2016 - £12.8 million) and Group underlying operating profit was £12.5 million (2016 - £10.0 million). Unallocated costs were £3.4 million (2016 - £2.8 million) and this included head office administration costs and expenditure relating to the administration of the Group Pension Scheme, which totalled £0.6 million (2016 - £0.6 million). The increase in unallocated costs was due in part to higher amounts charged in respect of the Group's short term incentive plan reflecting the higher level of Group profitability.

Group profit before tax was £10.5 million (2016 – £3.9 million).

A total net exceptional charge of £0.5 million (2016 - £4.8 million) primarily affects property costs relating to previously exited facilities. Closure costs in respect of Carclo Diagnostic Solutions were more than offset by a release in respect of the CIT Technology closure provision. The Group recognised a £0.4 million exceptional credit in respect of a pension liability management exercise completed during the financial year.

Net bank interest was £0.7 million (2016 - £0.9 million) and this reduction was due to the Group's lower average debt during the year as well as lower average rates of interest. The IAS 19 "Employee Benefits" ("IAS 19") net financing charge was £0.8 million (2016 – £0.4 million) due to the higher pension deficit as at 31 March 2016 when compared to 31 March 2015.

The Group tax charge for the year was £2.5 million (2016 - £1.7 million). The underlying tax charge (excluding exceptional items) was £2.6 million (2016 - £2.1 million) and this equates to an effective tax rate of 23.6%. The effective tax rate is higher than the current UK corporation tax rate because a large proportion of the Group's profits are generated in countries where the corporation tax rate is higher than in the UK.

The underlying earnings per share was 12.1 pence (2016 – 10.1 pence).

finance director's review
CONTINUED

Cash flow, net debt and gearing

	2017 £million	2016 £million
Underlying cash flow*	10.0	16.6
Interest and tax	(2.9)	(2.1)
Capital expenditure	(8.1)	(8.4)
Free cash flow	(1.0)	6.1
Pension payments	(1.2)	(1.1)
Non-recurring	0.6	(1.4)
Proceeds from issue of share capital	7.7	0.0
Equity dividends	(0.6)	(1.8)
Acquisition of subsidiaries	(5.7)	0.0
Cash flow relating to corporate activities	(0.2)	1.8
Development expenditure	(0.1)	(1.4)
Foreign exchange movement	(1.0)	(0.6)
Increase in net debt in year**	(1.3)	(0.2)

*Underlying cash flow in the year ended 31 March 2016 includes the receipt of a £3.0 million royalty payment in respect of the XSense licensing deal with Uni-Pixel.

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

Group net debt increased to £26.0 million at 31 March 2017 (2016 - £24.7 million). This represents gearing of 36.5% (2016 – 47.7%) excluding the net pension deficit of £27.0 million (2016 - £18.9 million). Operating cash generation before working capital movements was £15.6 million. Working capital increased by £6.7 million due to the growth of our businesses during the financial year resulting in increased inventory and receivables as well as increased working capital relating to tooling programmes at Wipac's supercar lighting business. The Group's net debt to Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") ratio as at 31 March 2017 was 1.51x (2016 – 1.77x), bringing the Group very close to our medium term target of 1.5x and which we expect to better in the current financial year.

Group capital expenditure in cash terms was £8.1 million (2016 - £8.4 million), representing 180% of the total Group depreciation charge (2016 – 217%). The majority of capital expenditure (£6.4 million) was in CTP and almost half of this related to the initial expansion of our Mitcham, UK production site. In LED, our Wipac business also saw significant investment in production equipment, supporting the increased activity in this business.

Pension contributions of £1.2 million (2016 - £1.1 million) were made during the year in relation to the recovery plan agreed with the Pension Scheme trustees subsequent to the 2015 triennial valuation. The Group also paid the Pension Scheme administration costs of £0.6 million (2016 - £0.6 million).

Non-recurring cash flow of £0.6 million (2016 – outflow of £1.4 million) represents proceeds from the sale of fixed assets and a building lease less rationalisation costs associated with businesses that the Group has closed, including Carclo Diagnostic Solutions ("CDS"). Development expenditure of £0.1 million (2016 - £1.4 million) was incurred during the year and relates to new projects within the LED Technologies division.

Proceeds from the issue of share capital of £7.7 million mostly reflect the net proceeds from the equity fund raising on 14 October 2016 where the majority of the funds were utilised to repay the short-term debt facility used to fund the acquisition of Precision Tool & Die ("PTD") with the remaining funds used to reduce the Group's net debt and to fund the Group's other investment plans.

Cash flow relating to the acquisition of subsidiaries of £5.7 million includes the initial payments for the £4.6 million acquisition cost of PTD and the £1.0 million acquisition cost of FLTC net of cash acquired.

Financing

At 31 March 2017 the Group's net debt was £26.0 million (2016 - £24.7 million). The Group had total bank facilities of £41.0 million, including medium term multi-currency revolving loan facilities totalling £30.0 million, of which £29.4 million was drawn as at 31 March 2017, and which expire in March 2020. The Group also has overdraft facilities totalling £11.0 million. Under the bank facility agreement, the Group's bank holds security in the form of guarantees from certain Group companies and fixed and floating charges over the current assets of the Group's three main UK trading subsidiaries.

The two main covenants in the facility agreement are underlying interest cover and the ratio of net debt to underlying EBITDA. The Group had a very comfortable level of headroom on both of these covenants at 31 March 2017.

On 14 October 2016, the Group announced that it had issued 6,631,026 ordinary shares at a price of 120 pence per share, raising proceeds of £7.7 million net of transaction costs. Of this, some £4.6 million was utilised to repay the short-term debt facility used to settle the £4.6 million initial consideration for the acquisition of PTD. The remaining £3.1 million was utilised to reduce Group indebtedness and to fund the Group's other investment plans.

Pensions

	2017 million	2016 million
Defined benefit obligation at the end of the year	£209.4	£196.9
Fair value of scheme assets at the end of the year	£176.9	£173.7
Net liability for defined benefit obligations at the end of the year	£32.5	£23.2
Net liability for defined benefit obligations at the end of the year net of related deferred tax	£27.0	£18.9
Discount rate at 31 March	2.60%	3.50%

As at 31 March 2017, the Group Pension Scheme had an IAS 19 "Employee Benefits" ("IAS 19") deficit of £27.0 million net of deferred tax (2016 – £18.9 million). This compared to a net deficit of £42.6 million as at 30 September 2016. The defined benefit pension liability increased during the year to £209.4 million 2016 - £196.9 million), mainly due to a material decrease in the discount rate to 2.6% (2016 – 3.5%) used to discount the liability reflecting a significant reduction in corporate bond yields. The fair value of the plan assets increased to £176.9 million (2016 - £173.7 million) with the majority of the Scheme's investments held in diversified growth funds.

The cash cost of the Pension Scheme was £1.8 million during the financial year and this included Scheme administration costs of £0.6 million and a £1.2 million annual payment which was part of the recovery plan agreed with the Scheme trustees subsequent to the March 2015 triennial valuation. This recovery plan provides that the Group will aim to eliminate the funding deficit over a period of 14 years and 8 months from 1 November 2015. This will be achieved by the payment of annual contributions of £1.169 million by the Group which will increase at 2.9% per annum alongside the Scheme's assumed asset returns which are in excess of the discount rate used to discount the Scheme liability. The next triennial valuation is expected to be in March 2018 and this will be followed by discussions with the Scheme trustees with the aim of agreeing a revised recovery plan later that year.

At 31 March 2017, Group properties with a net book value of £6.7 million were subject to a registered charge in favour of the Group Pension Scheme.

Acquisitions

On 13 October 2016, the Group acquired all of the shares in PTD for an initial consideration of £4.6 million, paid in cash. Under the share purchase agreement the Group will pay the vendors additional consideration subject to the satisfaction of certain performance criteria and the maximum amount of additional consideration payable under this arrangement is US$1 million. The net identifiable assets and liabilities acquired totalled £2.3 million and goodwill on acquisition totalling £2.9 million has been booked on the assumption that the maximum amount of deferred consideration will be payable.

On 29 March 2017 the Group acquired all of the shares in FLTC for £1 million, paid in cash. A deferred payment of up to CZK 16.2 million (approximately £0.5 million) is payable subject to the satisfaction of certain performance criteria related to key employees and this payment is not included as consideration for the business under IFRS. The completion consideration was subject to a cash and working capital adjustment of up to CZK 45.4 million (approximately £1.45 million) and an initial cash and working capital adjustment payment of CZK 41.3 million (approximately £1.32 million) was made upon completion, of which CZK 29.5 million (approximately £0.96 million) represented cash held by FLTC at the time of completion. The net identifiable assets and liabilities acquired totalled £1.4 million.

Dividend

On 31 August 2016 the Group announced that subsequent to the EU Referendum result on 23 June 2016, there had been a sharp reduction in the corporate bond yield used to discount the Group's pension liability under IAS 19 which is held within the Group holding company, Carclo plc ("the Company"). The Group announced that if the corporate bond yield remained at that level then this would result in a significant increase in the Group's pension deficit as at 30 September 2016, extinguishing the Company's distributable reserves. As a result of this, the Company would not be able to pay the final dividend of 1.95 pence per share, declared on 7 June 2016, and payable on 7 October 2016 to those members that were on the register at 26 August 2016. For this reason, this dividend was not paid on 7 October.

Since 30 September 2016, corporate bond yields increased modestly contributing to a reduction in the Group's IAS19 net deficit of £15.6 million, with a resulting positive impact on the Company's reserves. In addition, measures were taken to distribute reserves from UK subsidiaries to the Company and this involved a number of capital reduction exercises relating to those subsidiaries' transition to FRS 101. At 31 March 2017, the Company's reserves were £22.4 million (2016 - £7.9 million). However, it should be noted that a 0.25% reduction in the 15 year AA rated corporate bond yield will increase the Scheme liability, and therefore the Scheme deficit by approximately £7 million and such a reduction would have a similar negative impact on the Company's reserves.

The Board recognises the need to reward shareholders and for them to participate in the growing profitability of the business and it intends to recommence dividend payments in the 2018/19 financial year provided that the level of distributable reserves is sufficient that such a sustainable and regular dividend can be reintroduced.

Robert Brooksbank

6 June 2017

directors' review of the principal risks faced by the group

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

Global economy

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

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

Growth is inevitably impacted by a number of factors outside our control, such as the impact of the oil price on the energy market and the volatility in markets, our focus on major blue-chip multinationals together with appropriate contingency planning, helps to mitigate the impact on the business of such changes and events.

Political uncertainty including 'Brexit'

Political uncertainty such as the impact of Brexit can naturally affect decisions by our customers to invest and therefore impact on our trading.

We have a central team in place to review and assess the impact as more information becomes available and we are engaging with trade associations which are in contact with government.

Whilst we continue to monitor and review competitive intelligence, we continue to focus on cost efficiency opportunities and on further differentiating our business by developing new growth plans and developing our ability to provide a stronger product for our customers.

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

Reliance on major customers

The proportion of revenues generated from the top five customers in the year was 47.5% (2016 – 47.4%). One medical customer accounted for 16.4% of revenues (2016 – 19.3%) and one supercar customer accounted for 14.7% of revenues (2016 – 14.5%). No other customer accounted for more than 10.0% of revenues in the year or prior year.

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

The position of having a small customer base can be attributed to a number of factors, including efforts being concentrated on gaining and building relationships with major companies. Globalisation and customer acquisition policy has also meant that across the Group we are increasingly dealing with different trading arms of the same global entity. We have made acquisitions in the year to assist in expanding our major customer base and the LED Technologies business has moved into higher volume manufacturing which also expands the number of potential customers available.

There does remain an associated risk in the potential loss of such customers either through competitive pressures, relocation or insolvency. Such risks are mitigated through being able to offer world-class quality and costs, flexibility in manufacturing location and, in the case of insolvency, through the application of credit insurance across the Group.

The level of bad debts experienced in the year under review, and the prior year, were negligible.

Global operations

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

i) Management control

The Group uses a centrally managed common information technology system throughout the Group, which, combined with standardised operating procedures and pricing models, allows management oversight and investigation independent of location.

ii) Management cultural differences

Local knowledge of working practises and legislation is key to the success of global operations.

We undertake frequent visits to our global locations and pay particular attention to the recruitment of quality technical and financial staff. In low cost regions retaining staff against the background of a fast growing economy is a challenge. We address this by ensuring an effective and efficient working environment, and by succession planning to ensure that we maintain continuity of trained staff.

iii) Regulatory risk

Our global operations require us to be aware of all local compliance issues particularly within the spheres of transfer pricing, tax and repatriation of profits. This risk is managed centrally. Carclo uses both internal and external auditors and good quality locally based legal advice to keep up to date with changes in legislation and to identify and mitigate any potential regulatory issues.

Raw material sourcing

Carclo's businesses use engineering polymers to produce finished products. Polymers are produced from feedstock which is linked to oil and polymer prices which move in response to supply and demand and the underlying cost of feedstock. This potentially introduces volatility in the cost of raw materials processed by the Group. This risk is managed in the main by negotiating pass through pricing whereby our customer accepts the risk of movements in base polymer prices.

The majority of our business within Technical Plastics continues to operate on formal or informal pass through pricing arrangements. On the balance of business where Carclo takes the raw material price risk we aim, wherever possible, to agree longer term price contracts to mitigate this risk.

Pensions

Carclo's UK defined benefit pension scheme is very mature and is large compared with the size of Carclo. The Scheme is backed by substantial assets amounting to £176.9 million at 31 March 2017 (2016 - £173.7 million).

Small adjustments to the assumptions used to calculate the pension liability, or significant swings in bond yields or stock markets, can have a large impact in absolute terms on the net assets of the Company and Group. A decrease in the discount rate by 0.25% per annum (i.e. 2.60% to 2.35%) would increase the Scheme liabilities by 3.50% i.e. £7.331 million. An increase in the rate of inflation by 0.25% per annum (i.e. 2.35% to 2.60%) would increase the Scheme liabilities by 1.90% i.e. £3.980 million. An increase in life expectancy of 1 year would increase the Scheme liabilities by 3.3% i.e. £6.912 million.

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

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

A triennial valuation of the scheme was undertaken as at 31 March 2015 and, based on this valuation, the Group has agreed a revised recovery plan with the Trustees. The recovery plan requires annual, index linked, contributions of £1.2 million to be made commencing 31 October 2016 for an expected period of 13 years 8 months, this will be reviewed again at the next triennial valuation which is expected to take place at 31 March 2018.

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

Further details can be found in note 21 of the report and accounts.

Funding and banking covenants

Medium term committed bank facilities have been agreed which include a number of financial covenants which are normal for

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

facilities of this type. Whilst there is currently good headroom on the covenants, the board continues to monitor the forecast position monthly in order to ensure that adequate headroom is maintained. The facilities were renewed in 2015 and next fall due for renewal in 2020.

Foreign exchange exposure

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

The Group aims to manage transaction risk through a natural hedge where possible. Sales revenues and costs in each currency across the Group as a whole are matched as far as is practicable. The mismatch of transaction flows is small in the context of the total Group revenues.

The Group's policy is to hedge the major overseas assets by equivalent currency borrowings so that the balance sheet is not exposed unduly to significant fluctuations in currency. This is balanced against any associated treasury inefficiency associated with excessive currency borrowings. At 31 March 2017 the Group had term loan borrowings of US $10.6 million which are being used to hedge the assets held in the USA and €7.5 million which are used to hedge the assets in France and the Czech Republic.

For the 31 March 2017 period the Group took out transactional and translation hedges to help mitigate against any potential adverse movements with the Euro (€). Both these measures ensured the Group has extra protection against currency fluctuations.

Further details on the Group's foreign currency exposures can be found in note 27 of the report and accounts.

IT security breach / system failures

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

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

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

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

The business has a defined Disaster Recovery procedure for the invocation of Disaster Recovery measures in place with a third party support company, Phoenix. Disaster recovery tests are performed annually and a successful disaster recovery test was performed in January 2017.

Going concern and viability statement

The board has performed a robust assessment, including review of the budget for the year ending 31 March 2018 and longer-term strategic forecasts and plans, including consideration of the principal risks faced by the Group, as detailed on pages 20 to 22. Following this review the board is satisfied that the Company and the Group have adequate resources to continue to operate and meet their liabilities as they fall due for the foreseeable future, a period considered to be at least twelve months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis for preparing the financial statements. Details of the Group's policy on liquidity risk and capital management are included in note 27 to the financial statements.

In accordance with the provision of section C.22 of the 2014 revision of the Code, the board have assessed the viability of the Group over a five-year period to March 2022 as that is the period covered by the board approved strategic plan. The strategic plan is updated annually and includes an analysis of profit performance from all businesses, cash flow projections, capital investment expectations and estimates of returns to shareholders.

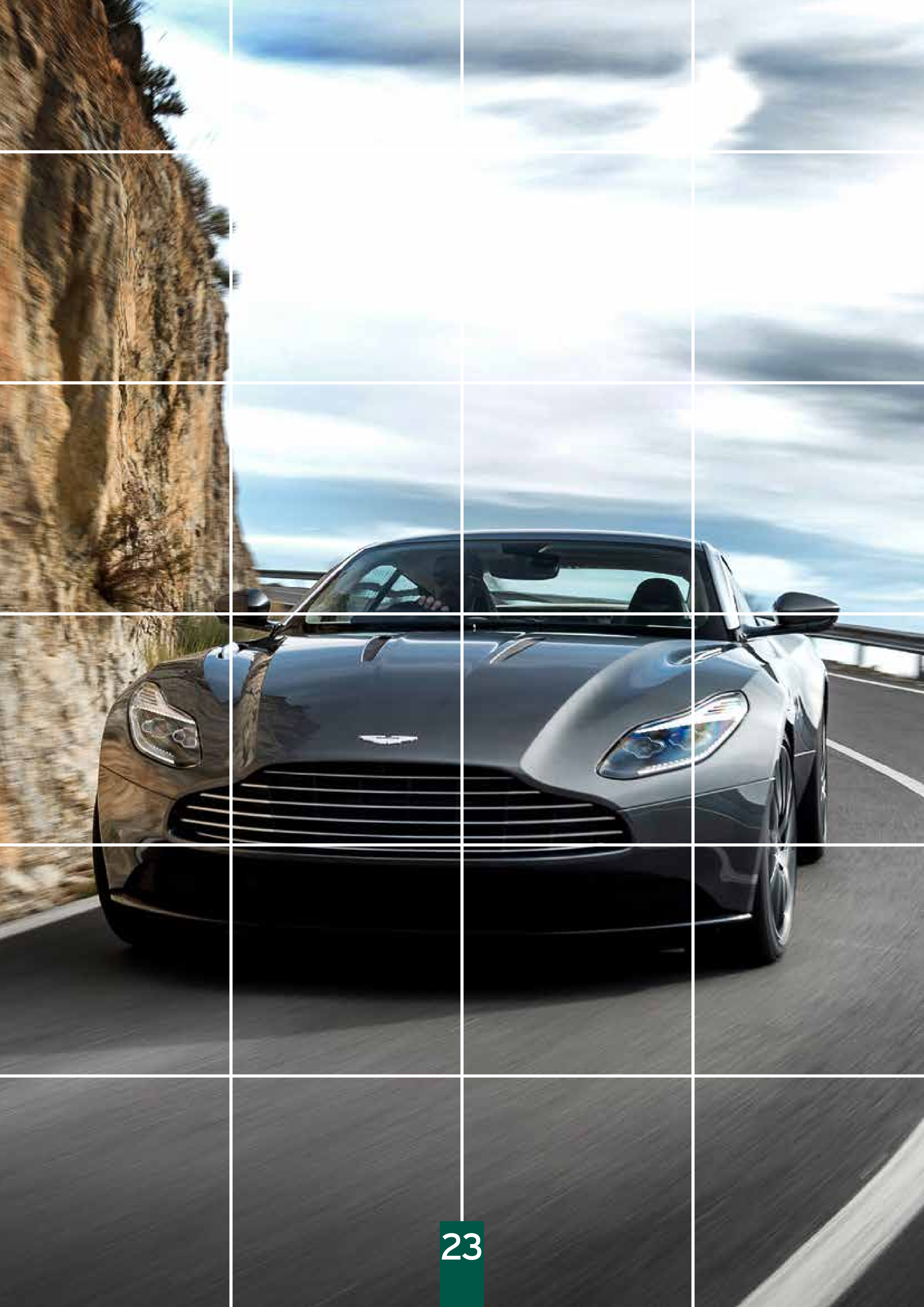
The board considers five years to be an appropriate timeline on which to base the strategic review as this is the period over which it believes that a reasonable estimate can be made of contracts both achieved and planned for. A period of greater than five years is considered to be overly affected by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

The board have undertaken a detailed review of the Group's current financial position and investigated the key assumptions included within the plan coupled with the potential effects of one or more of the principal risks discussed on pages 20 to 22.

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

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

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



social responsibility report

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

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

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

Social Responsibility Committee

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

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various financial and economic factors affecting the performance of the Group.

The Group regularly updates its employment policies and all employees have been issued with a staff handbook to keep them up to date with information relating to their employment.

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

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

We believe that the Group should demonstrate a fair gender mix across all levels of our business. At 31 March 2017 29% of our employees identified as female (2016 - 27%). The proportion of women in senior management positions amounted to 10% (2016 – 10%).

Our, diversity encompasses differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience and education. We believe that the wide array of perspectives that result from such diversity promotes innovation and business success. We operate an equal opportunities policy and provide a healthy environment which will encourage good and productive working relationships within the organisation.

Development

We continue to invest in the development of all our employees, through both an informal and formal route. Assessment of individual training needs is a key element of the annual appraisal process.

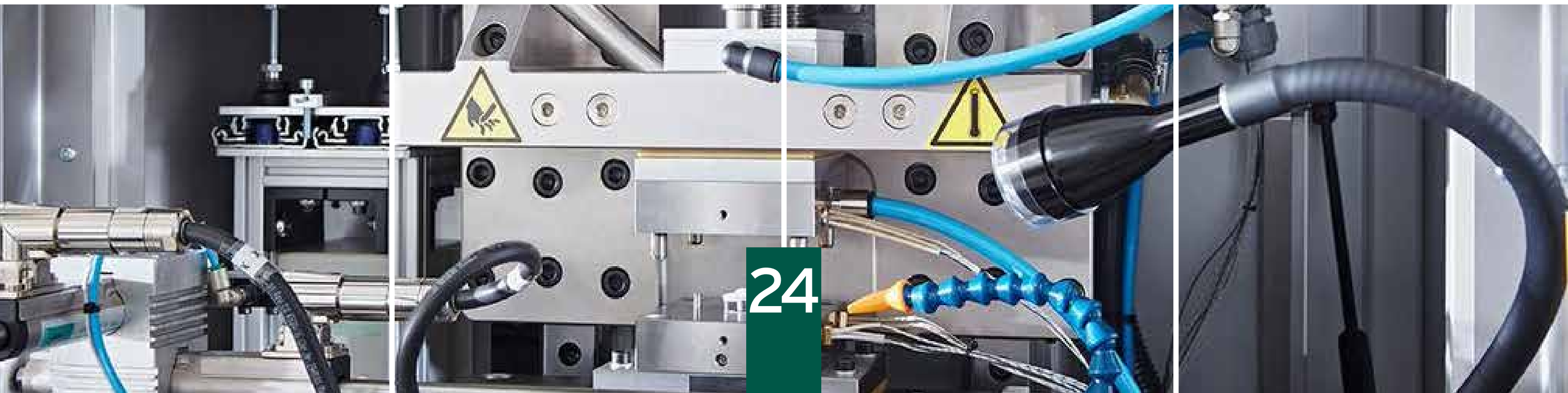
We have recruited 12 apprentices to date. Commitment to our apprenticeship programme continues globally with apprentices spread over 5 countries and a number of different disciplines.

Ethical policy

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

Environmental policy

It is the Group's policy to seek continually to eliminate and, where this is not practicable, to minimise negative environmental impacts from the pursuit of its various business interests whilst continuing to produce high quality products to its customers' requirements.



It is the Group's policy to comply with all statutory environmental legislation as a minimum and to aim to improve upon the standards set by the local regulatory authorities. To this end, each subsidiary is audited by the Group's outsourced health, safety and environment manager to -

- benchmark performances across the group;
- help sites identify and prioritise issues for improvement;
- ensure legal compliance.

The results of audits are communicated directly to the Group executive committee and to all subsidiary boards and appropriate action is taken.

It is the Group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times.

The Group continues to support long term strategies to minimise, reuse and recycle packaging through its membership of Valpak, a not for profit organisation through which a large number of businesses work together to recover and recycle packaging.

Health and safety

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

Global social responsibility

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

Community involvement

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

We fully support the Indian government's Corporate Social Responsibility ("CSR") scheme via our facility in Bangalore. In recent years we have funded the planning, design and construction of a multi-use building in a local village, bio-toilets at 3 schools and classroom buildings at a further 2 schools.

Greenhouse gas emissions

The Group is required to report its annual greenhouse gas ("GHG") emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("Regulations"). We have collated data during the year to 31 March 2017 and are reporting emissions for this period to coincide with the group's financial reporting period.

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

GHG emissions data for reporting year 1st April 2016 to 31 March 2017	**Location-Based Methodology**	**Market-Based Methodology**
Emissions from:		
Combustion of fuel and operation of facilities (tCO2e)	1,517	1,517
Electricity purchased for own use (tCO2e)	20,299	22,412
Total (tCO2e)	21,816	23,929
Intensity ratio (tCO2e per £1 million of revenue)	157.8	173.0

Year on year comparison – location based methodology	**2017**	**2016**	**Percentage Change**
Emissions from:			
Combustion of fuel and operation of facilities (tCO2e)	1,517	1,679	(9.6%)
Electricity purchased for own use (tCO2e)	20,299	18,088	12.2%
Total (tCO2e)	21,816	19,767	10.4%
Group revenue (£ million)	138,282	118,974	
Intensity ratio (tCO2e per £1 million of revenue)	157.8	166.1	(5.0%)

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement.

The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

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

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

Strategic Report signed on behalf of the board

Chris Malley
7 June 2016

directors and advisers

Directors

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

* non executive
\+ senior independent director

Secretary

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Registered Company Number: 196249

governance

directors' report

The directors submit their ninety fourth annual report together with the accounts for the year ended 31 March 2017.

Strategic report

The Strategic Report required by the Companies Act 2006 can be found on pages 8 to 25. This report, together with the Chairman's Statement on pages 6 to 7, sets out the Company's business model and strategy, contains a review of the business and describes the development and performance of the Group's business during the financial year and its position at the end of the year. It also contains on pages 20 to 22 a description of the principal risks and uncertainties facing the Group.

FCA's Disclosure Guidance and Transparency Rules

For the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 4.1.5R(2) and DTR 4.1.8R), this Directors' Report, the Strategic Report on pages 8 to 25 and the Chairman's Statement on page 6 to 7 together comprise the 'management report'.

Corporate Governance Statement

The Statement of Corporate Governance on pages 32 to 35 provides the corporate governance statement required by Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 7.2.1). The Statement of Corporate Governance forms part of this Directors' Report and is incorporated into it by cross-reference.

Profits and earnings

The profit of the Group before taxation after charging net interest of £1,479,000 (2016 – £1,282,000) amounted to £10,478,000 compared with a profit of £3,895,000 for the previous year. After taxation the profit per ordinary 5 pence share was 11.5 pence compared with a profit of 3.3 pence for the previous year.

Post balance sheet events

There have been no post balance sheet events that either require adjustment to the financial statements or are important to the understanding of the Group's current position.

Share capital

At 31 March 2017, the Company's issued share capital comprised 73,007,668 ordinary shares of 5p each. Details of the changes in issued share capital during the year are set out in Note 25 to the accounts. The information in Note 25 is incorporated into this Directors' Report by reference and is deemed to form part of this report.

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

Share capital authorities

The directors were granted authority at the 2016 annual general meeting (the "2016 AGM") to allot shares in the capital of the company up to an aggregate nominal value of £1,103,552 (representing approximately one-third of the issued share capital prior to the 2016 AGM). This authority is due to lapse at the annual general meeting in 2017 (the "2017 AGM"). At the 2017 AGM, shareholders will be asked to grant a similar allotment authority.

The directors were also empowered at the 2016 AGM to make non pre-emptive issues for cash up to an aggregate nominal amount of £165,533 (representing approximately 5% of the issued share capital prior to the 2016 AGM). This power is also due to lapse at the 2017 AGM when the directors will seek a similar power and, for the first time this year and as permitted by investor guidelines, an additional power to permit the board to make non pre-emptive issues for cash in connection with acquisitions and specified capital investments.

At the 2016 AGM shareholders gave authority to the directors to purchase up to 10% of the Company's issued ordinary shares in the market. No ordinary shares

directors' report CONTINUED

in the Company were purchased during the year under this authority which will expire at the 2017 AGM. The directors will ask shareholders to renew the authority at that meeting.

Amendment of articles of association

The Company's articles of association may only be amended by special resolution of the shareholders at a general meeting.

Appointment and replacement of directors

The Company's articles of association provide that the number of directors shall be not more than 12 and not fewer than 4, unless otherwise determined by the Company by ordinary resolution. Directors may be appointed by an ordinary resolution of the shareholders or by a resolution of the board.

A director appointed by the board during the year must retire at the first annual general meeting following his appointment and such director is eligible to offer himself for election by the company's shareholders.

Additionally, the Company's articles of association provide that one-third of the directors who are subject to retirement by rotation shall retire from office at each annual general meeting. A director who retires at an annual general meeting may be re-elected by the shareholders. Notwithstanding these retirement provisions, it is the Company's current practice that all directors retire from office at each annual general meeting in accordance with the best practice recommendations of the UK Corporate Governance Code and as permitted by the articles of association.

In addition to the statutory power, a director may be removed by ordinary resolution of the shareholders. The articles also set out the circumstances when a director must leave office. These include where a director resigns, becomes bankrupt, is absent from the business without permission or where a director is removed by notice signed by a requisite number of remaining directors.

Donations

No political donations were made during the year.

Financial instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, interest risk, liquidity risk and foreign currency risk can be found in Note 27. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this report.

Employment policies

The Group's policies as regards the employment of disabled persons and a description of actions the group has taken to encourage greater employee involvement in the business are set out on pages 24 and 25 respectively. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this report.

Greenhouse gas emissions

Information on greenhouse gas emissions required to be disclosed in this Directors' Report is set out on page 25. Such information is incorporated into this Directors' Report by reference and is deemed to form part of this report.

Substantial shareholdings

The company had been notified under Disclosure Guidance and Transparency Rule 5 of the following major holdings of voting rights associated with its issued ordinary share capital as at 19 May 2017 -

	31 March 2017	19 May 2017
Henderson Global Investors Ltd.	13.1%	13.0%
Aberforth Partners LLP	11.9%	11.8%
Schroder Investment Management Ltd	7.2%	7.2%
BlackRock Investment Management (UK) Limited	6.0%	6.7%
Hargreave Hale Ltd	3.9%	4.5%
Redmayne-Bentley LLP	3.9%	3.9%
The National Farmers Union Mutual Insurance Society Limited	3.7%	3.6%
Hargreaves Lansdown Asset Management Ltd	3.3%	3.3%
Cavendish Asset Management Ltd	3.0%	3.0%

Directors and directors interests

The directors at the date of this Directors' Report are listed on page 26. No other person served as a director of the company at any time during the year.

Additional information relating to directors' remuneration and interests in the ordinary share capital of the company are included in the directors' remuneration report on pages 38 to 54.

Biographies of directors

Michael Derbyshire Age 69

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

Robert Brooksbank Age 51

Joined the group on 1 April 2004 as finance director. After obtaining an honours degree in biological sciences he qualified as a chartered accountant with Ernst & Young in London and Moscow. He joined Enron Europe in 1995 before becoming a director of his family firm, Brooksbank Industries Limited in 1997.

Chris Malley Age 50

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

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

Robert Rickman Age 59

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

Peter Slabbert Age 54

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

David Toohey Age 60

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

Directors' indemnities

Article 132 of the Company's articles of association includes qualifying third party indemnity provisions, limited by law, in respect of the directors' performance of their duties as a director of Carclo plc or any associated company. The Company takes out insurance covering claims against the directors or officers of the Company and any associated company and this insurance provides cover in respect of some of the Company's liabilities under Article 132. This provision was in force during the year and continues to be in force at the date the Directors' Report is approved.

Disclosure of information to auditor

In accordance with section 418(2) of the Companies Act 2006, the directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Information required by LR 9.8.4R

There is no information required to be disclosed under LR 9.8.4R save in respect of the issue of 6,631,026 shares in a market placement at 120.0 pence per share which can be found on page 89 of this Annual Report.

By order of the board

Richard Ottaway
Secretary
6 June 2017

statement of corporate governance

UK Corporate Governance Code

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

The Financial Reporting Council published a revised code in April 2016 (the '2016 Code'), which takes effect for companies with accounting periods beginning on or after 17 June 2016. We have taken into consideration the areas of change arising from the 2016 Code, which also reflect the implementation of the European Union's Audit Regulation and Directive. In preparing this report and reflecting our emphasis on continuous improvement, we have considered how we comply with the new elements embodied within the 2016 Code.

The board

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

The biographies of all the directors appear on page 31.

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

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

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

The board meets regularly (at least nine times each year) and there is contact between meetings to progress the Company's business. During the year attendance by directors at meetings of the board and the various Committees is set out below. Board meetings are held at subsidiary facilities at least twice a year. These visits include meeting with staff and attending presentations from management which enables particular focus on the regional considerations associated with implementation of the Group's strategy. In the 2017 financial year the visits were made to the LED Technologies facility in Buckingham, the Aerospace facility in Scotland, and the Technical Plastics facility in Mitcham.

	Board Meetings		Remuneration		Audit	
	No.	No.	No.	No.	No.	No.
	Held	Attended	Held	Attended	Held	Attended
MJC Derbyshire	10	10	3	3	4	4
P Slabbert	10	10	3	3	4	4
RJ Rickman	10	10	3	3	4	4
D Toohey	10	9	3	2	4	3
CJ Malley	10	10	-	-	-	-
RJ Brooksbank	10	10	-	-	-	-

During the year the Nomination Committee met once and MJC Derbyshire and R Rickman were in attendence.

The board has a formal schedule of matters specifically reserved to it for decision (including the development of corporate strategy and the approval of annual budgets, major capital expenditure and potential acquisitions and disposals). Briefing papers are distributed by the secretary to all directors in advance of board meetings. All directors participate in a full induction process on joining the board and subsequently receive training and briefing as appropriate including on social, environmental and ethical matters. The directors are authorised to obtain independent advice as required. The board evaluation process also considers specific training or development needs. In the current year, the board has received training in connection with the new Market Abuse Regime which was also implemented for senior managers and those deemed to have responsibilities which may from time to time mean they could have access to inside information.

Conflicts of interest

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

Board evaluation

This year the senior non executive director supervised an internal evaluation of the board's performance and that of its four principal Committees. In addition, an evaluation of the performance of individual directors was undertaken.

The evaluation process was based on a series of questions devised for the purpose and circulated to the directors. The process reviewed issues such as: the assessment and monitoring of the company's strategy; the monthly board meeting agenda and information flow, the evaluation of risk and social responsibilities including anti-bribery policies and environmental risks. There was also a review of the role and performance of the board Committees. The results of the evaluation were collated by the senior non-executive director and will form the basis of board objectives for 2017/18, including:

- refining the Group's technology business strategy in terms of the longer term time horizon
- evaluating the linking of strategy to investment
- discussion of management and board succession
- refining the board's analysis of and response to corporate social responsibility matters

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

Board Committees

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

Nomination Committee

The Nomination Committee comprises the non executive directors. The Committee is chaired by the Group chairman and is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. In considering an appointment the Committee evaluates the balance of skills, knowledge and experience of the board and prepares a description of the role and capabilities required for a particular candidate.

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

Remuneration Committee

The company has established a Remuneration Committee consisting entirely of independent non executive directors including the Group chairman. The Remuneration Committee met three times during the year and is chaired by R Rickman. The Committee recommends to the full board the Company's policy on executive director and executive management remuneration and continues to determine individual remuneration packages for executive directors. The Remuneration Committee is authorised by the board to obtain independent professional advice if it considers this necessary. The directors' remuneration report on pages 38 to 54 sets out the Group's remuneration objectives and policy and includes full details of directors' remuneration in accordance with the provisions of the Code.

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

Audit Committee

The Audit Committee comprises all the non executive directors including the group chairman and meets not less than three times annually. During the year the Committee was chaired by P Slabbert who, as a Chartered Accountant and being the former group finance director of Avon Rubber plc until his appointment as chief executive in April 2008, has both recent and relevant financial experience. The Committee provides a forum for discussions with the Group's external and internal auditors. Meetings are also attended, by invitation, by the chief executive and finance director.

The Audit Committee has terms of reference which follow closely the recommendations of the Code and include the following main roles and responsibilities:

- To monitor the financial reporting process.

- To review the effectiveness of the Group's internal financial controls, internal control and risk management systems and internal audit function.

- To review the independence and effectiveness of the external auditor, including the provision of non-audit services.

statement of corporate governance CONTINUED

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

The Audit Committee assists the board in observing its responsibility for ensuring that the Group's financial systems provide accurate information which is properly reflected in the published accounts. It reviews half year and annual accounts before their submission to the board and reviews reports from the internal auditors and computer department. The Audit Committee report is set out on pages 36 to 37.

Disclosure Committee

The Disclosure Committee's responsibilities are to ensure that the Company's obligations to make timely and accurate disclosure of information in accordance with any applicable law or regulation are met in circumstances where it is impractical for the Board, or any other Board Committee with delegated responsibility, to fulfil those obligations. In accordance with these responsibilities, the Committee may make disclosures on behalf of the Board. The Committee will take advice, including as appropriate to the subject matter from the Company's broker, external auditor and legal advisors, on the form and content of any disclosure under consideration. The remit of the Disclosure Committee, its conduct and terms of reference have been considered in light of the Market Abuse Regime, which came into effect during 2016. The Committee includes but is not limited to the chief executive, finance director and the company secretary with a quorum being any two members. The chairman of each Committee meeting will be appointed on an ad hoc basis. Should a decision not achieve a majority basis the Group chairman should be requested to provide a casting vote. Meetings of the Committee may be called by any member of the Committee on any period of notice, provided that notice is given to all members.

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

Group Executive Committee

The Group Executive Committee is chaired by the chief executive and comprises all the executive directors together with the company secretary and selected managing directors from operating companies. The Committee meets each month and is responsible to the board for running the ongoing operations of the Group's businesses.

Finance, administration and risk management committee

The finance, administration and risk management committee is chaired by the finance director and comprises the company secretary, deputy group financial controller and group project accountant. The Committee meets at least quarterly and is custodian of the Group finance manual and is responsible for setting accounting and risk management policies and ensuring overall compliance with Turnbull guidance on internal controls.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee is chaired by the finance director and comprises the company secretary and several other responsible employees from subsidiaries to enhance the global reach. The Committee meets at least three times a year and drives the Group's actions in the fields of global social responsibility, health and safety, bribery and corruption, environmental and climate change policies, charitable support, equality and human and labour rights, whistleblowing and supply chain labour standards. The Committee has been allocated a budget by the Group for use in charitable pursuits.

Accountability and audit

Internal control

The board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". These procedures provide for a continuous process for identifying, evaluating and managing the principal material business risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the annual report and accounts. The process has been reviewed by the board and is in accordance with the guidance given in the Turnbull Report.

For the year ended 31 March 2017, the board has reviewed the effectiveness of the Group's system of internal control and risk management, for which it retains overall responsibility. Responsibility for operating the system is delegated to the Group Executive Committee and responsibility for monitoring the system is delegated to the Finance, Administration and Risk Management Committee. The Audit Committee reviews the effectiveness of the Group's internal control system, the scope of work undertaken by the internal auditors and its findings, the Group's accounts and the scope of work undertaken by the external auditors. Reviews are undertaken regularly and cover each accounting year and the period up to the date of approval of the accounts.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The principal features of the Group's internal control structures can be summarised as follows –

a) Matters reserved for the board

The board holds regular meetings and has a number of matters reserved for its approval, including major capital expenditure, treasury and dividend policy. The board is responsible for overall Group strategy and for approving all Group budgets and plans. Certain key areas are subject to regular reporting to the board including treasury operations, capital expenditure, corporate taxation and legal matters. The Audit Committee assists the board in its duties regarding the Group's financial statements and liaises with the external auditors.

b) Organisational structure

There is a clearly defined organisational structure with lines of responsibility and delegation of authority to divisional executive management. Divisional responsibility is supplemented by a Group finance manual which dictates policies and practices applicable across the Group and includes accounting, purchasing, capital expenditure and codes of business conduct. These are reviewed by the internal auditor and are reported to the Audit Committee. This process forms part of the Audit Committee's review of the effectiveness of the Group's system of internal control.

c) Financial control and reporting

There is a comprehensive Group wide system of planning and budgeting with frequent reporting of results to each level of management as appropriate, including monthly reporting to the board. Reviews involving executive directors and divisional executives include the annual identification and assessment of business and financial risks inherent in each division.

d) Internal auditor

During the year Mazars LLP continued to provide the outsourced internal audit function. The internal auditor monitors and reports on the system of internal control. For the year-ended 31 March 2018 an internal auditor will be recruited by the Group. The internal auditor will continue to report to the Audit Committee and will work to an agreed programme.

Relations with shareholders

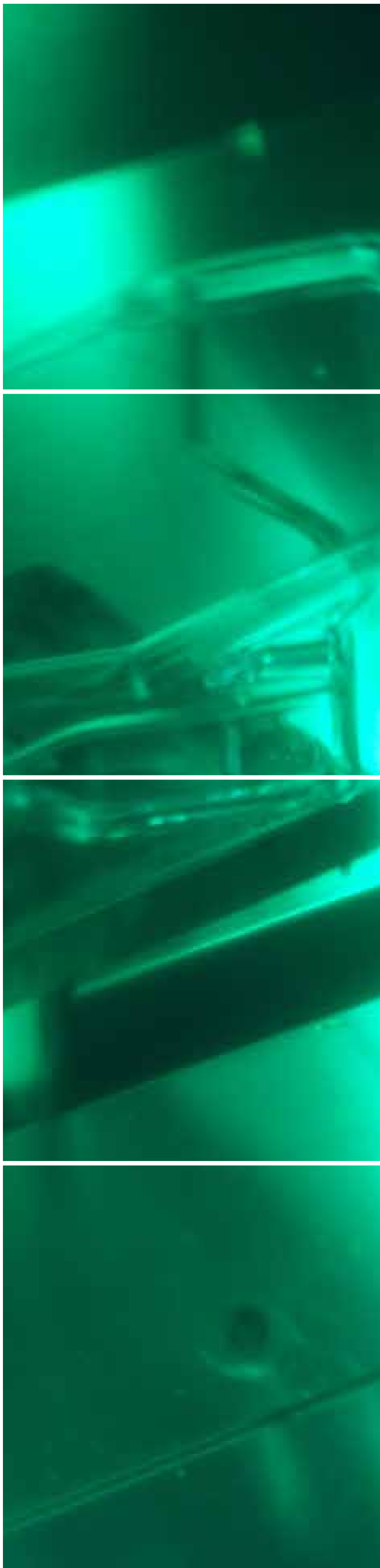
The company recognises the importance of communication with its shareholders. Regular meetings are held between directors of the Company and major institutional shareholders including presentations after the Company's preliminary announcements of the half year and full year results and discussions on performance and strategy. Major shareholders have been advised that the chairman and the non executive directors are available for separate discussions if required. The chairman held meetings with several major shareholders during the year. The board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation. Shareholders have the opportunity to raise questions with the board during the meeting. Directors also make themselves available before and after the annual general meeting to talk informally to shareholders, should they wish to do so. The level of proxies received for each annual general meeting resolution is declared after the resolution has been dealt with on a show of hands providing no poll has been called for. Details of the resolutions to be proposed at the annual general meeting on 7 September 2017 can be found in the AGM circular.

Structure of Company's capital

Details of the structure of the Company's capital are set out in the directors' report on pages 29 to 31.

Approved by the board
on 6 June 2017
and signed on its behalf by

Richard Ottaway
Secretary



audit committee report

Annual statement by the Chairman of the Audit Committee

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

The key responsibilities of the Committee are:

- to keep under review the Group's financial and other systems and controls and financial reporting procedures;
- to plan and scope the annual audit, receive audit reports and review financial statements taking account of accounting policies adopted and applicable reporting requirements;
- to review the financial statements (half yearly and annual report) and advise the board on whether they give a fair, balanced and understandable explanation of the Group's performance, business model and strategy over the relevant period;
- to review the internal controls of the Group and monitor and review the effectiveness of the internal audit function;
- to review and update the Company's risk management systems and the effectiveness of those systems;
- to review and challenge actions and judgements of management in relation to financial statements;
- to review significant legal and regulatory matters;
- to review all matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external audit process and to review the scope and results of the audit; and
- to review the Anti-Bribery Code and procedures and other policies relevant to financial security, compliance and business ethics.

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

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

Composition

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

Meetings

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

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

Internal Control and risk management

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

Further details of the Group's risks and uncertainties together with the mitigating actions are set out on pages 20 to 22 of the annual report and accounts.

Internal Audit

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

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

Significant issues related to the financial statements

The Committee reviews accounting papers prepared by management that provide details of significant financial reporting issues, together with reports from the external auditor prepared in conjunction with the interim and full year results, and assesses the following, amongst other matters.

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- any correspondence from regulators in relation to our financial reporting.

These matters are also discussed with the external auditor together with anything else that the auditor brings to the committee's attention.

In the year to 31 March 2017, such issues included the impact of changes in accounting standards and other financial reporting disclosures.

In addition to the above, the Committee supports the board in completing its assessment of the adoption of the going concern basis of preparing the financial statements. For the first time in the 2016 Annual Report, the directors included a Viability Statement concerning the prospects of the Company over a five-year period, as required by section C.2.2 of the Code. During the financial year, the Committee reviewed the approach taken by the directors in preparing and reporting on the Viability Statement with due regard for wider market practice and developing guidance. As a result of that review, the Committee was satisfied that the approach adopted was appropriate. The Viability Statement for the 2017 financial year was prepared on a consistent basis with that reported in 2016 and is on page 22.

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

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

- The acquisition accounting for the purchase of Precision Tool & Moulding LLC for an initial consideration of £4.6 million. There was a requirement to identify the fair value of intangible assets acquired to arrive at the acquisition fair values and to calculate the associated goodwill. The Group has established policies for identifying and valuing these assets which the audit committee has reviewed to ensure that the treatment was appropriate, robust and consistently applied. The Committee is satisfied that the fair value exercise has been fairly applied and that the carrying value of the relevant assets and related deferred tax liabilities are appropriate.
- The IAS19 pensions position. The Company has a large defined benefit pension scheme with liabilities of approximately £209.4 million and assets of approximately £176.9 million as at 31 March 2017. These numbers are sensitive to the main assumptions utilised to calculate the deficit or surplus on the scheme and the Audit Committee seeks confirmation that these assumptions are appropriate.

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

- The Group balance sheet value of goodwill. The balance of goodwill on the Group balance sheet as at 31 March 2017 is £24.8 million and the Audit Committee seeks to gain assurance through the executive management's review of discounted cash flow analyses that there are no potential impairment or recoverability issues.

The Committee considered whether the 2017 Annual Report taken as a whole was fair, balanced and understandable and whether it provided the necessary information for Shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee is satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable.

External audit

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

In line with the new requirements an audit tender was performed during the financial year. An Audit Tender Panel ("ATP") was established consisting of the Audit Committee Chairman and the Group Finance Director. Three bidders were shortlisted to present to the ATP and all three met with both members of the panel in advance of the proposals being submitted. The presentations provided the opportunity for detailed discussion and rigorous evaluation of the firms. In determining who to recommend to appoint for the role, the Audit Committee took into account a number of factors. These included, but were not limited to, the experience of the firms particularly in the listed company environment and their knowledge of the manufacturing industry, to inform which firms would provide the best quality and most effective audits. The ATP then presented a final shortlist of two firms to the Audit Committee who debated the appointment.

Having concluded the process in February 2017 the Committee recommended that KPMG LLP be reappointed as the Group's statutory auditor for the financial year ended 31 March 2018. The board accepted this recommendation and, accordingly, a resolution proposing the appointment will be put to the shareholders at the 2017 AGM.

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

The Committee has an established policy for determining the non-audit services that the external auditor can provide where justified on grounds of cost and related expertise and where not impacted by potential conflicts of interest. This allows the committee to satisfy itself that auditor objectivity and independence are safeguarded. The analysis of audit and non-audit fees for the year to 31 March 2017 and the nature of the non-audit services provided appear in Note 4 on the accounts. Non-audit fees totalled £0.07 million. From 31 March 2017 the auditor will only be permitted to perform non-audit work outside of the EU. Non-audit work outside of the EU is only awarded to the auditor in line with the non-audit services policy which requires approval in advance of all individual non-audit services with fees of £25,000 or more. No approval shall be given to any non-audit services prohibited under the amendments to UK Companies Act 2006 and the FRC Revised Ethical Standard 2016. Given the type of non-audit services provided, they are not considered by the Committee to affect the objectivity and independence of the external auditor.

As discussed above, KPMG LLP will be proposed for re-appointment as auditor by shareholders at the Annual General Meeting on 7 September 2017.

Peter Slabbert
Chairman of the Audit Committee

6 June 2017

directors' remuneration report

Annual statement

Dear Shareholder

On behalf of the board I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2017.

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

Our report has three sections as follows:

- This Annual Statement, which summarises and explains the major decisions and changes in respect of directors' remuneration;
- Our updated Directors' Remuneration Policy as the Policy that was approved at the 2014 AGM will expire at the 2017 AGM; and
- The Annual Report on Remuneration, providing details of the remuneration earned by the Company's directors in relation to the year ended 31 March 2017 and how the Policy will be operated for the year to 31 March 2018.

The original Directors' Remuneration Policy was approved by our shareholders at the 2014 AGM and, over the last year, we have taken the opportunity to perform a full review which concluded that the original Policy is still appropriate subject to some minor changes as outlined below which we are proposing to strengthen alignment with shareholders and the link between pay and performance. In line with company law requirements shareholders must be asked to approve the new Policy which will run for a maximum three year period. At the forthcoming AGM on 7 September 2017, this revised Remuneration Policy will be subject to a binding shareholder vote, together with the Annual Report on Remuneration and this Annual Statement which will be subject to an advisory shareholder vote.

2017 – Performance and Pay

We believe in rewarding our executives based on their individual performance and on the value created for our shareholders. The variable elements of executive remuneration are focused on simple and transparent measures of profit before tax, Earnings Per Share ("EPS") growth and key individual strategic objectives. This Report should be read in conjunction with the Strategic Report.

Salary: As set out in the 2015/16 Report and Accounts a review was undertaken by Kepler Associates during 2016 which indicated that executive salaries were no longer competitive and an equivalent review performed by the Company Secretary of peer companies also supported the conclusion that non executive fees were no longer competitive. As a result of this, an above inflation increase in salaries was applied to both executive and non executive directors for 2016/17. An internal review of salaries for 2017/18 has concluded that increases consistent with those being made for other employees across the company are appropriate for executive and non executive directors.

Bonus: In respect of the 2016/17 bonus 75% of the payment was set against demanding financial targets which were fully achieved and consequently this bonus will be paid in full.

The performance measures for the 2016/2017 bonus to be measured against individual performance remained 25%. Our executives performed well against their own stretching individual performance targets and earned a bonus for their performance. Chris Malley met 85% of his performance targets and Robert Brooksbank met 80% of his performance targets. Further details of the bonus payments are set out on page 48.

PSP Award: There will be full vesting in relation to the EPS portion of the 2014 Carclo PSP award but no vesting in respect of the Total Shareholder Return ("TSR") portion. This resulted in 50% of the shares subject to the 2014 awards vesting.

Approval of new Remuneration Policy and implementation of the Remuneration Policy for 2018

The current Directors' Remuneration Policy was adopted by the shareholders at our 2014 AGM and, under company law, shareholders must be asked to approve a new Policy at least every three years. As a result we will be submitting a new Policy to a binding shareholder vote at the 2017 AGM to be held on 7 September 2017. In preparing for this submission the Committee has reviewed the present Policy and we consider it to remain appropriate, save for a small number of changes proposed to strengthen alignment with shareholders and the link between pay and performance. The changes are set out in more detail in the table on page 39. The changes do not seek to increase the limits to base salary, pension, benefits or incentive arrangements for the executive directors. A new Carclo PSP is being implemented at this year's AGM as a result of the expiration of the term of the 2007 Carclo PSP. The new Carclo PSP will operate in broadly the same way as the previous plan but with certain changes to reflect current market practice and to include additional company protections. In particular, the main changes from the previous plan include (i) a new five year holding period for executive directors; (ii) revised dilution limits to match current shareholder expectations, and (iii) enhanced malus and clawback provisions.

In respect of the implementation for 2018, the Committee concluded that:

- Basic salary levels will be increased by 3%. This increase is in line with increases received by other UK employees;
- The structure and quantum of the annual bonus continues to be appropriate and aligned to shareholders' interests. For 2017/18 the proportion of the annual bonus potential to be measured against individual performance targets will be remain at 25%; and
- The long-term incentive grant policy, whereby conditional awards of shares are granted annually under the Carclo PSP with vesting after three years based on earnings per share and relative total shareholder return performance conditions, provides a strong

alignment between the senior executive team and shareholders.

Alignment with shareholders

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

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

Robert Rickman
Chairman of the Remuneration Committee
6 June 2017

Compliance Statement

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

The following parts of the Annual Report on Remuneration are audited: the single total figure of remuneration for directors, including annual bonus and LTIP outcomes for the financial year ending 31 March 2017; scheme interests awarded during the year; and, directors' shareholdings and share interests.

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

Directors' Remuneration Policy

The Remuneration Policy approved by the shareholders in 2014 expires at the 2017 AGM. The Committee has taken the opportunity to undertake a full detailed review of the existing Policy and it is satisfied that, subject to minor amendments, the Policy remains appropriate.

The Policy would be effective from the date of the 2017 AGM should shareholders accept the changes.

The Committee considers that the changes strengthen the link between the Group's strategy and executive remuneration and increase alignment between the interests of executives and shareholders over the long term.

Changes are as follows

PAY ELEMENT	CURRENT POLICY	NEW POLICY
SALARY	No changes proposed	
OTHER BENEFITS	No changes proposed	
BONUS	Maximum award 100% of basic salary for CEO and 75% for FD.	No change to maximum awards
	Weighting on financial measures at least 50%.	Weighting on financial measures at least 75% as these are considered to be less subjective and hence more suitably aligned with shareholder interests
	The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period.	The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: a. fair and reasonable in the circumstances; and b. a more appropriate measure and not materially less challenging than the original condition would have been
LONG TERM INCENTIVE PLAN (awards made under the Carclo Performance Share Plan)	Maximum award of 100% of salary (normal limit) or up to 200% of salary in exceptional circumstances (e.g. recruitment).	No change to maximum awards
	Performance measures are EPS growth and TSR weighted equally.	No change to performance measures
	No requirement to hold vested shares.	Awards made to the executive directors are subject to a five year "holding period" under which for the five year period following the date of grant the executive directors will not be permitted to sell the shares subject to the awards (other than to fund any exercise price payable or pay any the tax liability arising on vesting) and in limited exceptional circumstances (such as divorce or death).
	The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period.	The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: a. fair and reasonable in the circumstances; and b. a more appropriate measure of performance and not materially less challenging than the original condition would have been.
	Clawback and malus provisions apply in the event of material misstatement of results and/or an error in the calculation of the award outcome.	Clawback and/or malus may be applied up to seven years from the grant of the awards in any of the following circumstances: a. if any of the audited financial results for the Company are materially mis-stated; b. if the Company, any group company and/or a relevant business unit has suffered serious reputational damage as a result of the relevant participant's misconduct or otherwise; c. there has been serious misconduct on the part of the relevant participant; or d. in such other circumstances, where the Committee determines that malus or clawback should apply.
PENSION	No changes proposed	
SHARE OWNERSHIP GUIDELINES	No changes proposed	
NON EXECUTIVE DIRECTORS FEES	No changes proposed	

directors' remuneration report CONTINUED

Policy table

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

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
SALARY	To provide an appropriate, competitive level of basic fixed income avoiding excessive risk arising from over reliance on variable income To attract and retain executive directors of superior calibre in order to deliver business growth Reflects individual skills and experience and role	Reviewed annually by the Remuneration Committee, normally effective 1 April Takes periodic account of similar roles at companies with similar characteristics and sector comparators, individual experience and performance, company performance and wider pay levels and salary increases across the Group	No prescribed maximum annual increase, but will normally be in line with general increase for the wider workforce In exceptional circumstances, the Committee may decide to award a lower increase for executive directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role to take account of relevant market movements and/or the appointment of new executive directors.	N/A
OTHER BENEFITS	Provides market competitive benefits Provides insured benefits to support the individual and their family during periods of ill health, accident or death	Benefits provided through third party providers Includes car allowance, life insurance, private medical insurance and permanent disability insurance. Other benefits may be provided where appropriate	Benefits may vary by role and individual circumstance and are reviewed periodically. Benefits have not exceeded 10% of salary in the last 3 financial years and are not anticipated to exceed this over the next three financial years. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside of the Company's control have materially changed (e.g. increases in medical premiums)	N/A
BONUS	Incentivises annual delivery of short-term financial and strategic goals and business strategy Maximum bonus only payable for achieving demanding targets	Performance measures, targets and weightings are set at the start of the year. Payments are calculated based on an assessment of performance at the end of the year. Paid in cash Not pensionable Clawback and malus provisions apply in the event of material misstatement of results and/or an error in the calculation of the bonus outcome	100% of salary CEO 75% of salary FD	Performance is assessed on an annual basis by reference to financial measures as well as the achievement of personal/strategic objectives. The current financial performance measure is Underlying Profit (defined as profit before all exceptional items), however the Committee has discretion to adjust the performance measures and weightings each year according to strategic priorities, although the weighting on financial measures will be at least 75%. The bonus for personal/strategic performance is payable only if, in the opinion of the Remuneration Committee, there was an improvement in the underlying financial and operational performance of the Group during that financial year. The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: a. fair and reasonable in the circumstances; and b. a more appropriate measure of performance and not materially less challenging than the original condition would have been
LONG TERM INCENTIVE PLAN (awards made under the Carclo Performance Share Plan)	To motivate and retain executives, reward delivery of the company strategy and long-term goals and to help align executive and shareholder interests Aligned to main strategic objectives of delivering sustainable profit growth and shareholder return	Annual grant of nil cost options or performance shares which normally vest after at least 3 years subject to continued service and performance targets. At the start of each performance cycle, the Committee sets performance targets which it considers to be appropriately stretching. Awards made to executive directors will be subject to a "holding period" under which for the five year period following the date of grant the executive directors will not be permitted to sell the shares subject to the awards (other than to fund any exercise price payable or pay any tax liability arising on vesting) and limited exceptional circumstances (such as death or divorce). Clawback and/or malus may be applied up to seven years from the grant of awards in any of the following circumstances: (a if any of the audited financial results for the company are materially mis-stated; (b) if the Company, any Group company and/or a relevant business unit has suffered serious reputational damage as a result of the relevant participant's misconduct or otherwise; (c) there has been serious misconduct on the part of the relevant participant; or (d) in such other circumstances, where the Committee determines that malus or clawback should apply	100% of salary normal limit 200% of salary exceptional limit - e.g., recruitment	LTIP performance measured over three years. Performance measures are currently EPS and TSR weighted equally, however the Committee has discretion to adjust the performance measures and weightings to ensure they continue to be linked to the delivery of Company strategy. During the five year period following the date of grant the executive directors cannot sell the shares subject to the awards (other than to pay the tax liability arising on vesting). The Committee has discretion to adjust the performance conditions to ensure that payments accurately reflect business performance over the performance period. However, such discretion may only be used in circumstances where the Committee considers the amended performance conditions to be: a. fair and reasonable in the circumstances; and b. a more appropriate measure of performance and not materially less challenging than the original condition would have been

Policy Table continued

PENSION	Provides market competitive retirement benefits Opportunity for executives to contribute to their own retirement plan	Executive Directors receive a contribution to HMRC approved personal pension arrangement or a payment in lieu of pension contributions	The maximum employer contribution is 20% of salary	N/A
SHARE OWNERSHIP GUIDELINES	To provide alignment between executives and shareholders	Executive directors are required to build and maintain a shareholding equivalent to one year's base salary through the retention of vested share awards or through open market purchases until the guideline is met	100% of salary holding for executive directors. The Committee will monitor progress against this requirement on an annual basis.	N/A
NON EXECUTIVE DIRECTORS FEES	Reflects time commitments and responsibilities of each role Reflects market competitive fees	Reviewed annually by the Board, normally effective 1 April. Chairman and Non-Executive Directors receive a basic fee for their respective roles. Additional fees are paid to Non-Executive Directors for additional services such as chairing the Audit and Remuneration committees. Fee levels are benchmarked with reference to sector comparators and FTSE-listed companies of similar size and complexity. The required time commitment and responsibilities are taken into account when reviewing fee levels. All fees are paid in cash.	No prescribed maximum annual increase, but it is expected that fee increases will normally be in line with general increase for the wider workforce. However, in the event that there is a material misalignment with the market or change in complexity, responsibility or time commitment required to fulfil a non-executive director role, the Board has discretion to make an appropriate adjustment to the fee level	Non-executive directors do not participate in variable pay arrangements or receive any pension provision.

Notes to the policy table

A description of how the company intends to implement the Policy set out in this table for 2018 is set out in the Annual Report on Remuneration on pages 38 to 39.

Performance measurement selection

The choice of "Underlying Profit" as the financial performance metric applicable to the annual bonus scheme is designed to link performance to strategy and the business plan. The Committee believes that performance measures set in respect of the annual bonus should be appropriately challenging and tied to both the delivery of profit growth and specific individual objectives.

The TSR and EPS performance conditions applicable to the Carclo PSP (further details of which are provided on page 50) were selected by the Remuneration Committee on the basis that they reward the delivery of long term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long term value to shareholders.

The Committee operates the Carclo PSP in accordance with the rules of that plan, Listing Rules, company law and the relevant tax legislation. The Committee, retains discretion over certain areas relating to the operation and administration of the Carclo PSP consistent with market practice.

As highlighted above, the Company has a share ownership policy which requires the executive directors to build up and maintain a target holding equal to 100% of base salary. Details of the extent to which the executive directors had complied with this Policy as at 31 March 2017 are set out on page 53.

Payments from existing awards or made under previous Directors' Remuneration Policy

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

Remuneration policy for other employees

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

i) A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive directors and certain senior executives.

ii) Benefits offered to other employees generally comprise provision of healthcare and company car benefits where required for the role or to meet market norms.

iii) The majority of employees participate in local defined contribution pension arrangements.

iv) Participation in Carclo PSP is limited to the executive directors and certain selected senior managers.

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

directors' remuneration report CONTINUED

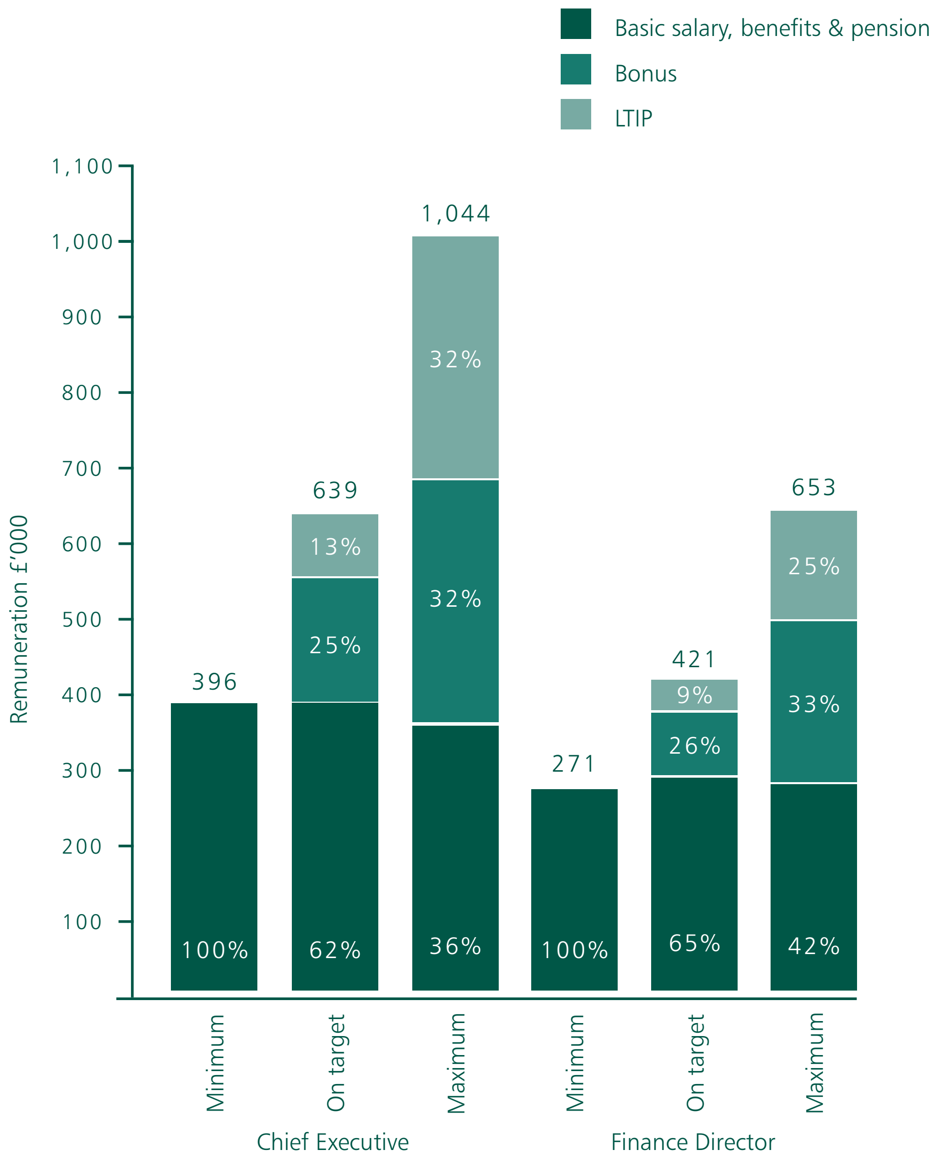
Remuneration Policy for the chairman and non-executive directors

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

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

Pay scenario charts

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



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

Minimum	Fixed pay comprising base salary, benefits and pension Base salary is the current base salary effective 1 April 2017 Benefits measured as paid in 2017 as set out in the single figure table Pension entitlement measured as 20% of base salary subject to £40,000 cap

	Base salary	Benefits	Pension	Total fixed
Name	£'000	£'000	£'000	£'000
CJ Malley	324	32	40	396
RJ Brooksbank	218	13	40	271

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

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

Approach to recruitment remuneration

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

In addition to normal remuneration elements, the Committee may offer additional cash and/or share based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished by a new executive director as a result of them leaving their former employer ('buyout' awards). In making such buyout awards the Committee would take account of, where possible, the nature, time horizons, performance requirements (including the likelihood of those conditions being met)

directors' remuneration report CONTINUED

of the forfeited awards. Any such 'buyout' awards will typically be made under the existing annual bonus and LTIP scheme, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited. Shareholders will be informed of any such payments at the time of appointment.

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

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

In the case of hiring or appointing a new non executive director, the Committee follows the policy as set out in the table on page 41. A base fee in line with the prevailing fee schedule would be payable for board membership, with additional fees payable for additional services, such as chairing a board committee.

External appointments

The executive directors may accept outside appointments, with prior board approval, provided these opportunities do not negatively impact on the individual's ability to perform his duties at the Company. Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case by case basis. Neither of the executive directors had any outside appointments during the year in question.

Service contracts

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

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

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

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

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

Non executive director	Date of letter	Unexpired term as at 31 March 2014	Date of appointment	Last reappointment at AGM
MJC Derbyshire	9 September 2015	To 2018 AGM	1 January 2006	1 September 2016
RJ Rickman	9 September 2015	To 2018 AGM	1 July 2012	1 September 2016
P Slabbert	1 April 2015	To 2018 AGM	1 April 2015	1 September 2016
D Toohey	1 April 2015	To 2018 AGM	1 April 2015	1 September 2016

Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Exit payment policy

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

It is Company policy that executive service contracts should not normally contain notice periods of more than 12 months.

There are no provisions within the contracts to provide automatic payments in excess of payment in lieu of notice upon termination by the Company and no predetermined compensation package exists in the event of termination of employment. Payment in lieu of notice would include basic salary, pension contributions and benefits. There are no provisions for the payment of liquidated damages.

Annual bonuses may be payable with respect to the period of the financial year served by the departing executive with the Committee ordinarily providing that such bonus will be pro-rated for time and paid at the normal pay out date. Any share based entitlements granted to an executive director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the 2017 PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, injury or disability or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the normal vesting date, albeit that the Committee has the discretion to determine that the awards may vest at an earlier date. In determining the extent of any such vesting the Committee will take account of the extent to which the relevant performance conditions have been satisfied and the proportion of the performance period actually served. Similar provisions apply in respect of awards made under the 2007 PSP.

Consideration of conditions elsewhere in the Company

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

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

Consideration of shareholder views

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

annual report on remuneration

The following section provides details of how Carclo's remuneration policy was implemented during the financial year ending 31 March 2017.

Remuneration Committee membership in 2017

The Remuneration Committee comprises of RJ Rickman, P Slabbert, D Toohey and MJC Derbyshire and is chaired by RJ Rickman. The Committee met three times during the financial year ended 31 March 2017 and individual Committee members attended all meetings held during the year under review.

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

Independent Advice

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. No external advice was sought in the year in question.

Summary of shareholder voting at the 2016 AGM

The following table shows the results of the shareholder vote on the 2016 Remuneration Report at the 2016 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	38,892,206	97.6
Against	978,083	2.4
Total votes cast (excluding withheld votes)	39,870,289	100.00
Votes withheld	561,883	
Total votes cast (including withheld votes)	40,432,172	

Summary of shareholder approval of the Remuneration Policy

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

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

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 March 2017 and the prior year:

	Salary		Benefits (1)		Annual Bonus		LTIP		Pension (2)		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Name	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CJ Malley	315	289	12	13	303	61	171	59	35	40	836	462
RJ Brooksbank	211	194	12	13	151	26	80	26	35	39	489	298

Notes
(1) Benefits comprise private medical cover and car allowance
(2) Payment in lieu of pension contributions are in line with the Remuneration Policy
(3) Details of the performance measures applicable to the annual bonus for 2017 are set out below
(4) Details of the performance measures applicable to the vesting of long term incentive awards are set out below

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

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 March 2017 and the prior year:

	Base fee £		Committee fees £		Total £	
Non-Executive Director	2017	2016	2017	2016	2017	2016
MJC Derbyshire	86,943	79,764	-	-	86,943	79,764
R Rickman	35,698	32,750	5,995	5,500	41,693	38,250
P Slabbert	35,698	32,750	5,995	5,500	41,693	38,250
D Toohey	35,698	32,750	-	-	35,698	32,750

Incentive outcomes for the year ended 31 March 2017 (audited)

Variable pay

Annual performance bonus outcome 2017

	Outcome % Salary			Maximum Potential % Salary		
Name	Financial	Strategic	Payable	Financial	Strategic	Payable
CJ Malley	75.00	21.25%	96.25%	75.00	25.00	100
RJ Brooksbank	56.25	15.00%	71.25%	56.25	18.75	75

The detailed financial performance targets applicable to the 2017 annual bonus arrangements are considered commercially sensitive in respect of underlying Group profit levels and accordingly will be disclosed in the Directors Remuneration Report for the year ended 31 March 2018.

The detailed financial performance targets applicable to the 2016 annual bonus arrangements are as follows:

To achieve the minimum threshold under the financial performance targets the Group was required to achieve an underlying pre-tax operating profit of £10.5 million when adjusted for IAS 19 pension charges. To achieve the maximum threshold the Group was required to achieve an underlying pre-tax operating profit of £11.0 million on the same basis. The actual performance achieved against these targets was £9.7 million and consequently no payment was made in respect of the financial performance targets.

The personal targets for CJ Malley mainly related to (i) Developing the Carclo Technical Plastics ("CTP") strategy and identifying suitable acquisition candidates that fitted that strategy (ii) Developing the LED Technologies strategy (iii) Completing operational growth plans for CTP (iv) Reviewing and executing the Carclo Diagnostic Solutions strategy in the light of market research as discussed in the 2015 Report & Accounts (v) Completing the exit from Conductive Inkjet Technology. The personal targets for RJ Brooksbank mainly related to (i) Reviewing acquisition targets and associated financing options (ii) Developing and implementing new Group KPIs (iii) Developing succession plan and refining future Group IT strategy. CJ Malley achieved 84% of his strategic objectives leading to a payment of 21% of salary and RJ Brooksbank achieved 72% of his strategic objectives leading to a payment of 13.5% of salary.

annual report on remuneration CONTINUED

2014/15 LTIP vesting

The LTIP award granted on 10 July 2014 was based on performance to the year ended 31 March 2017. The performance targets for this award, and actual performance against those targets, were as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% Vesting
Earnings per share	Normalised EPS growth of RPI+ 5% pa (12.5% vesting) to RPI+12% pa (50% vesting) over three financial years	9.13p EPS	10.72p EPS	13.67p EPS	100%
Total Shareholder Return	TSR against the constituents of the FTSE Small Cap Index (excluding investment trusts). 12.5% vesting for median performance and 50% vesting for upper quartile performance or above. TSR measured over three financial years with a three month average at the start and end of the performance period	3.73% TSR	28.3% TSR	(31.3%) TSR	0%
			Total Vesting		50%

This therefore resulted in 50% vesting for the 2014 award as follows:

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Estimated value (£)
CJ Malley	240,000	120,000	120,000	174,000
RJ Brooksbank	112,000	56,000	56,000	81,200

Scheme interests awarded in the year ended 31 March 2017 (audited)

2016/17 LTIP

Executive Director	Date of grant	Shares subject to awards made during the year	Share price at date of award	Face value at date of award
CJ Malley	13 July 2016	210,000	149.75p	£314,475
RJ Brooksbank	13 July 2016	98,000	149.75p	£146,755

The awards measured performance on the following basis:

Consistent with past awards, the extent to which awards granted in the year ending 31 March 2017 will vest will be dependent on two independent performance conditions with 50% determined by reference to the company's TSR and 50% determined by reference to the Company's EPS, as follows:

- The TSR element of an award will vest in full if the TSR ranks in the upper quartile, as measured over the three year period, relative to the constituents of the FTSE Small Cap Index excluding investment trusts at the beginning of that period. This element of the award is reduced to 25% on a pro rata basis for median performance and is reduced to nil for below median performance; and

- The EPS element of an award will vest in full if EPS growth exceeds inflation, as measured by the Retail Prices Index, by an average of 12% per annum or more over the three year period. This element of the award is reduced to 25% on a pro rata basis if EPS growth exceeds inflation by an average of 5% per annum over the period and is reduced to nil if EPS growth fails to exceed inflation by 5% per annum.

Implementation of remuneration policy for the year ending 31 March 2018

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2018 is set out below:

Basic salary

As reported in the Annual Statement on page 38 the Remuneration Committee agreed to increase executive directors' base salary levels as follows:

Name	2017/18	2016/17	% increase
CJ Malley	£324,365	£314,917	3.0
R J Brooksbank	£217,579	£211,242	3.0

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

Pension arrangements

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

Annual bonus

The maximum bonus potential for the year ending 31 March 2018 will remain at 100% of salary for the chief executive and 75% of salary for the finance director. Awards are determined based on a combination of both the Group's financial results and personal achievements. A maximum of 75% of the bonus will be based on growth in Group underlying profit before tax, with a threshold vesting of 25% of maximum achievable. A maximum of 25% will be based on each executive's personal performance achievement level against strategic objectives with a threshold vesting of 20% of maximum achievable. Maximum bonus will only be payable when both the financial results of the Group and the executive's individual performance against objectives have significantly exceeded expectations. A bonus will be payable only if, in the opinion of the Remuneration Committee, there is an improvement in the underlying financial and operating performance of the Group during the year ending 31 March 2018. Clawback and malus provisions will apply for all executive directors.

Proposed target levels have been set to be challenging relative to the 2018 business plan, although specific targets are deemed to be commercially sensitive and will not be published until such time that the Committee is confident there will be no adverse impact on the Company of such disclosure. At this time the Committee believes that the disclosure of targets in the year following the determination of bonuses is appropriate as disclosed above.

annual report on remuneration CONTINUED

Long term incentives

The original Performance Share Plan was approved at the AGM in 2007. Shareholder approval is being sought for a new plan at the 2017 AGM. There are no changes to the independent performance conditions.

Consistent with past awards, the extent to which LTIP awards which will be granted in the year ending 31 March 2018 will vest will be dependent on two independent performance conditions with 50% determined by reference to the Company's total shareholder return ("TSR") and 50% determined by reference to the Group's earnings per share ("EPS"), as follows:

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

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

As set out in the Directors' Remuneration Policy, awards will be subject to clawback and malus provisions, and to a requirement to hold the shares subject to awards for 5 years from date of grant except in exceptional circumstances or to pay any tax liability arising on vesting.

Chairman and non executive directors

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

In line with the review of the executive director salaries a review of non-executive fees against peer company comparisons was performed by the Company Secretary and it was concluded that a fee increase of 3% in line with that made to executive directors would be made. Fee increases were awarded for the 2017/18 financial year as follows:

Provision	2017/2018	2016/ 2017	% increase
Chairman	£89,551	£86,943	3.0
Base fee	£36,769	£35,698	3.0
Committee Chair fees	£ 6,175	£ 5,995	3.0
Total non-executive directors	£42,944	£41,693	3.0

Percentage change in chief executive remuneration

The table below shows the percentage change in the chief executive's salary, benefits and annual bonus between the financial year ended 31 March 2016 and 31 March 2017 compared to that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2017	2016	% change	
	£'000	£'000		
Salary Chief executive UK employee average	 315 25	 289 25	 9.0% 0%	
Benefits Chief executive UK employee average	 13 1	 13 1	 0% 0%	
Annual bonus Chief executive UK employee average	 303 1	 61 1	 396.7% 0%	Note 1
Average number of UK employees	558	498	14.5	

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

Note 1: Total annual bonus awards under the Group's short term incentive scheme increased from £364k to £469k for UK participants

Relative importance of spend on pay

The table below shows the Company's actual expenditure on pay (for all employees) relative to dividends, and retained profits for the financial years ending 31 March 2016 and ending 31 March 2017

	2017	2016	% change
	£'000	£'000	
Staff costs	35,420	30,160	
Dividends	-	596	
Retained profit	7,982	1,591	
Number of Employees	1,418	1,340	

The dividends figures relate to amounts payable in respect of the relevant financial year. 2017 does not include a dividend.

annual report on remuneration CONTINUED

Paid for performance

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

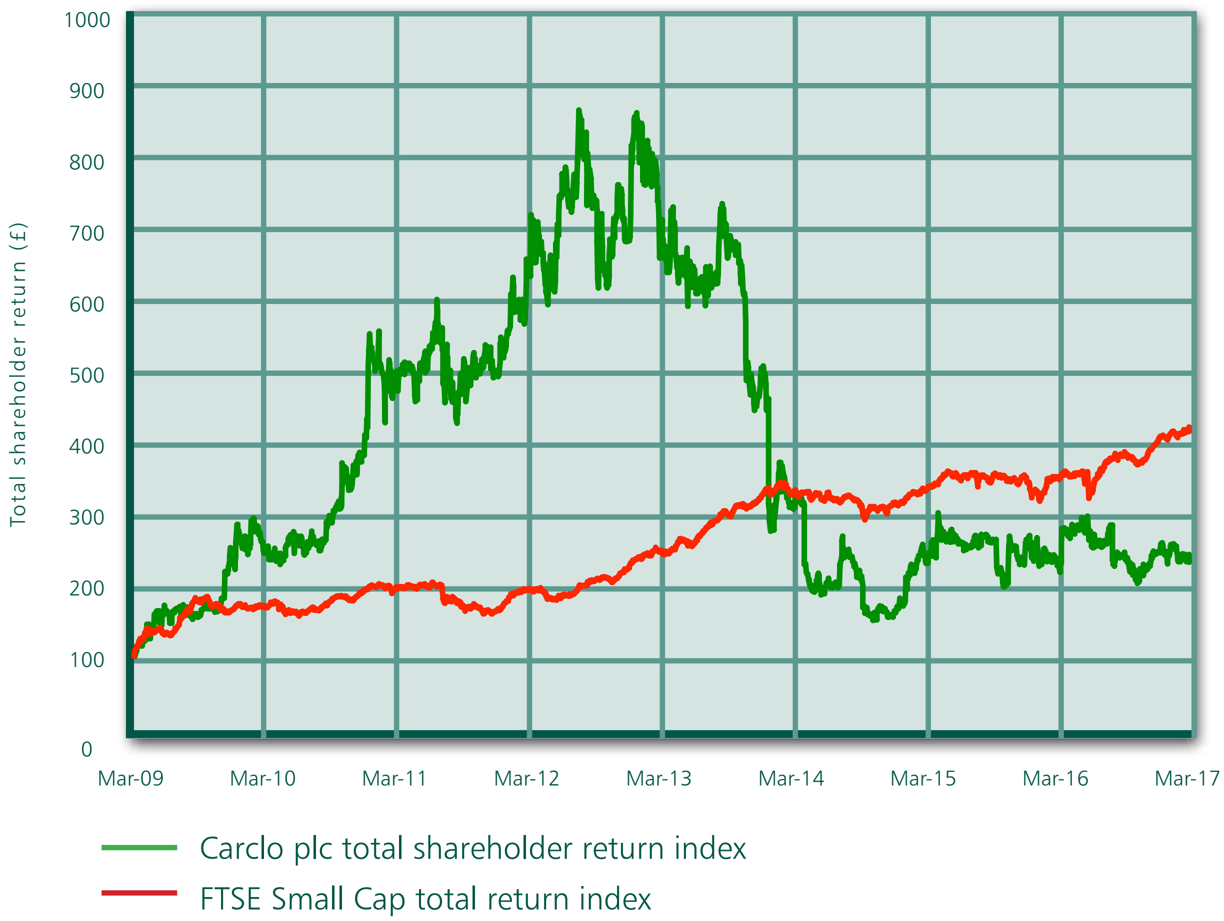


Table of historical data (chief executive)

	2010	2011	2012	2013	2014	2015	2016	2017
Chief executive single figure of remuneration (£000)	433	491	249	2,764	328	538	462	836
Annual bonus payout (as % of maximum)	-	-	-	-	-	71.25	21	96.25
LTIP vesting (as % of maximum)	50	50	50	100	-	-	50	50

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

Directors' interests (audited)

The interests of the directors and their connected persons in the ordinary shares of the Company as at 31 March 2017 were as follows:

	31 March 2017		31 March 2016	
	Ordinary shares	Options	Ordinary shares	Options
CJ Malley	113,782	-	73,385	-
RJ Brooksbank	272,565	-	236,555	-
MJC Derbyshire	70,000	-	60,000	-
RJ Rickman	15,300	-	5,300	-
P Slabbert	30,000	-	-	-
D Toohey	-	-	-	-

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

Directors' shareholding (audited)

The table below shows the shareholding of each director against their respective shareholding requirement as at 31 March 2017:

	Shares held					
Director	Owned outright or vested	Vested but subject to holding period	Unvested and subject to performance conditions	Shareholding requirement (% salary)	Current shareholding (% salary)	Prior year shareholding (% salary)
CJ Malley	113,782	-	647,000	100	52	35
RJ Brooksbank	272,565	-	302,000	100	184	168

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

annual report on remuneration CONTINUED

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

Directors' share awards under the Carclo PSP (audited)

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

Director and year of award	At 1 April 2016	Granted	Vested	Lapsed	At 31 March 2017	Market value per share at date of award £	Determina-tion Date
CJ Malley							
PSP 2013	79,000	-	(39,500)	(39,500)	-	3.52	15.7.16
PSP 2014	240,000	-	-	-	240,000	1.1375	10.7.17
PSP 2015	197,000	-	-	-	197,000	1.45	12.7.18
PSP 2016	**-**	**210,000**	**-**	**-**	**210,000**	**1.4975**	**13.7.19**
RJ Brooksbank							
PSP 2013	34,000	-	(17,000)	(17,000)	-	3.52	15.7.16
PSP 2014	112,000	-	-	-	112,000	1.1375	10.7.17
PSP 2015	92,000	-	-	-	92,000	1.45	12.7.18
PSP 2016	**-**	**98,000**	**-**	**-**	**98,000**	**1.4975**	**13.7.19**

responsibility statement of the directors in respect of the annual report

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

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

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

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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

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

By order of the board

Chris Malley
Chief Executive

Robert Brooksbank
Finance Director

6 June 2017

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

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Carclo plc for the year ended 31 March 2017 set out on pages 59 to 105. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Overview	
Materiality: group financial statements as a whole	£500,000 (2016: £400,000) 4.8% of Group profit before tax. (2016: 4.6% of Group profit before tax and exceptional items.)
Coverage	99% (2016: 100%) of Group profit before tax
Risks of material misstatement	
Event driven	New: Acquisition accounting including valuation of goodwill and intangible assets
Event driven	New: Valuation of defined benefit pension scheme liabilities

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

The risk		Our response
Acquisition accounting including valuation of goodwill and intangible assets (£7.3 million; 2016: £nil) Refer to page 37 (Audit Committee Report), page 65 (accounting policy) and page 75 and 76 (financial disclosures).	**Subjective estimate** The Group made two acquisitions during the year. PTD in November and FLTC in March. The exercise to recognise the intangible assets acquired at fair value involves a significant degree of judgement on the inputs used to value the assets such as timing of future cash flows and discount rate and is a material estimate.	Our procedures included: **Our valuation expertise:** assessing and evaluating the methodology used by the Group to value the assets acquired. **Benchmarking assumptions:** challenging the key assumptions used in the valuation such as timing of future cash flows and discount rate using our sector knowledge and expertise. **Assessing transparency:** considering the adequacy of the Group's disclosures in respect of determining the fair value of the assets acquired.
Valuation of defined benefit pension scheme liabilities (£32.5 million net liability; 2016: £23.2 million net liability) Refer to page 37 (Audit Committee Report), pages 68 and 69 (accounting policy) and pages 85 to 89 (financial disclosures).	**Subjective valuation** Significant estimates are made in valuing the Groups post-retirement defined benefit plan obligations, including in particular the discount rate, the inflation assumptions and the mortality assumptions used to calculate the retirement benefit obligation. Small changes in the assumptions used in the valuation could have a significant effect on the valuation and therefore the financial positon of the Group.	Our procedures included: **Benchmarking assumptions:** with the assistance of our pension specialists we challenged key assumptions applied being the discount rate, inflation rate, mortality and salary growth with the support of our own actuarial specialists. This included a comparison of these key assumptions against externally derived data. **Assessing the actuary:** We assessed the competence, independence and integrity of the Group's actuarial expert. **Assessing transparency:** We considered the adequacy of the disclosures made in respect of the sensitivity of the liability to changes in the assumptions.

We continue to perform procedures over the carrying value of CDS patent and development costs. However following the prior year impairment, we have not assessed this as one of the most significant risks in the current year audit and, therefore, it is not separately identified in our report this year.

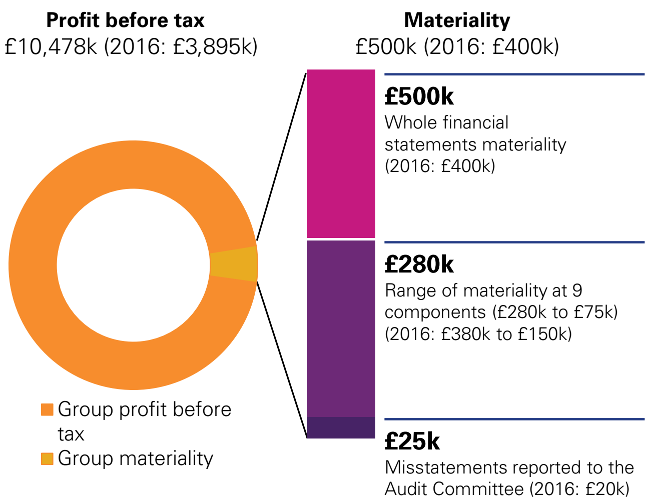
3. Our application of materiality and an overview of the scope of our audit

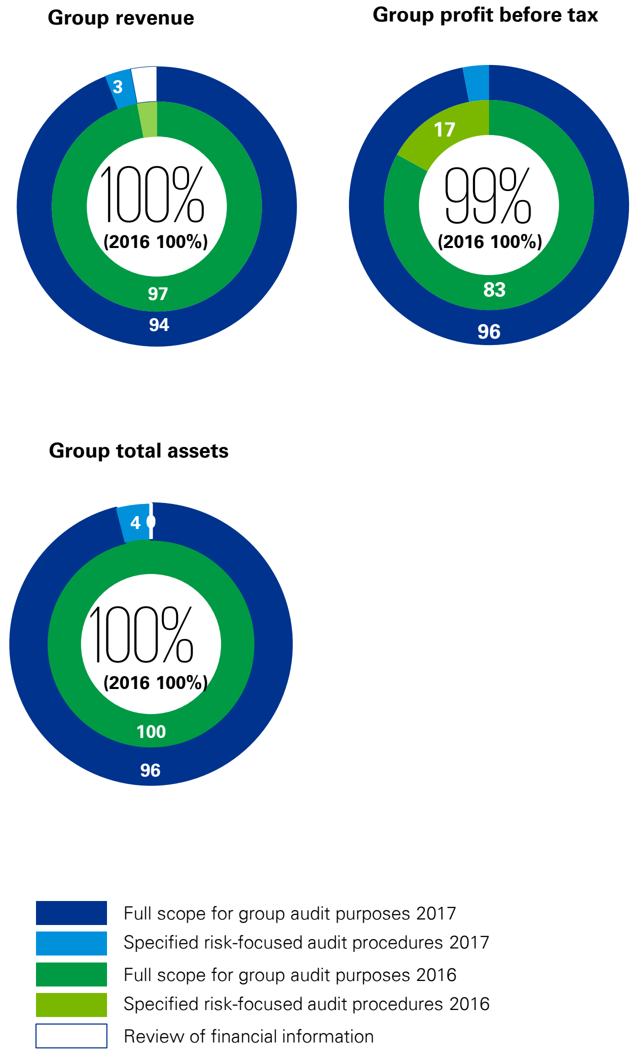
Materiality for the Group financial statements as a whole was set at £500k (2016: £400k), determined with reference to a benchmark of Group profit before tax, of which it represents 4.8% (2016: 4.6% of profit before tax and exceptional items). The change in benchmark is a result of a one-off significant exceptional item included in the prior year results.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £25k (FY16: £20k), in addition to other identified misstatements that warranted reporting on qualitative grounds. Of the Group's nine (2016: ten) reporting components, we subjected seven (2016: nine) to full scope audits for Group purposes, one (2016: none) was subject to specified risk-focused audit procedures and one (2016: one) was subject to a review of financial information. The work on four of the nine components (2016: four of ten) was performed by component auditors and the rest by the Group team.

For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team also approved the component materialities ranging from £75k -£280k (FY16: £150k -£380k) having regard to the mix of size and risk profile of the Group across the components.

Telephone conference meetings were held with the component auditors at the planning and completion phase of the work and the Group audit team reviewed the audit work of the full scope component audits. At the telephone conference meetings the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.





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

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 32 to 35 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures ("the specified Corporate Governance information") is consistent with the financial statements.
- Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report, the Directors' Report and the Corporate Governance Statement:
- we have not identified material misstatements in the Strategic Report, the Directors' Report, or the specified Corporate Governance information;
- in our opinion, the Strategic Report and the Directors' Report have been prepared in accordance with the Companies Act 2006; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with rules 7.2.2, 7.2.3, 7.2.5, 7.2.6 and 7.2.7 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority.

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

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

- the directors' viability statement on page 22, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the 5 years to 31 March 2022; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

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

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our auditand;
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 22, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 32 to 35 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 55, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

John Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Street
Sovereign Square
Leeds
LS1 4DA

6 June 2017

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH

	Notes	2017 £000	2016 £000
Revenue	3	**138,282**	118,974
Underlying operating profit		**12,498**	10,034
– rationalisation costs	7	**(233)**	65
– litigation costs	7	**(60)**	(64)
– costs arising on the disposal of surplus properties	7	**(658)**	-
– impairment of Carclo Diagnostic Solutions	7	**-**	(4,858)
– credit in respect of retirement benefits	7, 21	**410**	-
Operating profit	3, 4	**11,957**	5,177
Finance revenue	8	**170**	17
Finance expense	8	**(1,649)**	(1,299)
Profit before tax		**10,478**	3,895
Income tax expense	9	**(2,496)**	(1,708)
Profit after tax		**7,982**	2,187
Attributable to –			
Equity holders of the parent		**7,995**	2,200
Non-controlling interests		**(13)**	(13)
		7,982	2,187
Earnings per ordinary share	10		
Basic		**11.5p**	3.3p
Diluted		**11.5p**	3.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH

	2017 £000	2016 £000
Profit for the period	**7,982**	2,187
Other comprehensive income - **Items that will not be reclassified to the income statement**		
Remeasurement losses on defined benefit scheme	**(10,074)**	(11,846)
Deferred tax arising	**1,364**	1,647
Total items that will not be reclassified to the income statement	**(8,710)**	(10,199)
Items that are or may in the future be classified to the income statement		
Foreign exchange translation differences	**5,271**	1,489
Deferred taxation arising	**(769)**	(924)
Total items that are or or may in future be classified to the income statement	**4,502**	565
Other comprehensive income, net of income tax	**(4,208)**	(9,634)
Total comprehensive income for the period	**3,774**	(7,447)
Attributable to –		
Equity holders of the parent	**3,787**	(7,434)
Non-controlling interests	**(13)**	(13)
Total comprehensive income for the period	**3,774**	(7,447)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Notes	**2017 £000**	2016 £000
Assets			
Intangible assets	12	**26,323**	20,257
Property, plant and equipment	13	**43,423**	36,597
Investments	14	**7**	7
Deferred tax assets	20	**10,332**	9,799
Total non current assets		**80,085**	66,660
Inventories	15	**19,250**	15,596
Trade and other receivables	16	**38,468**	26,647
Cash and cash deposits	17	**22,269**	16,692
Non current assets classified as held for sale	18	**200**	700
Total current assets		**80,187**	59,635
Total assets		**160,272**	126,295
Liabilities			
Interest bearing loans and borrowings	19	**29,406**	30,746
Deferred tax liabilities	20	**6,140**	6,038
Provisions	22	**440**	-
Trade and other payables	24	**636**	-
Retirement benefit obligations	21	**32,503**	23,216
Total non current liabilities		**69,125**	60,000
Trade and other payables	23	**25,687**	20,192
Current tax liabilities		**2,056**	1,920
Provisions	22	**253**	620
Interest bearing loans and borrowings	19	**18,888**	10,696
Total current liabilities		**46,884**	33,428
Total liabilities		**116,009**	93,428
Net assets		**44,263**	32,867
Equity			
Ordinary share capital issued	25	**3,650**	3,311
Share premium		**7,359**	18
Other reserves	26	**2,254**	2,254
Translation reserve	26	**8,334**	3,832
Retained earnings	26	**22,692**	23,465
Total equity attributable to equity holders of the parent		**44,289**	32,880
Non-controlling interests		**(26)**	(13)
Total equity		**44,263**	32,867

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

Michael Derbyshire
Robert Brooksbank } directors

6 June 2017

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 2015	3,310	-	3,267	2,254	32,522	41,353	-	41,353
Profit for the period	-	-	-	-	2,200	2,200	(13)	2,187
Other comprehensive income -								
Foreign exchange translation differences	-	-	1,489	-	-	1,489	-	1,489
Remeasurement losses on defined benefit scheme	-	-	-	-	(11,846)	(11,846)	-	(11,846)
Taxation on items above	-	-	(924)	-	1,647	723	-	723
Total comprehensive income for the period	-	-	565	-	(7,999)	(7,434)	(13)	(7,447)
Transactions with owners recorded directly in equity -								
Share based payments	-	-	-	-	471	471	-	471
Dividends to shareholders	-	-	-	-	(1,821)	(1,821)	-	(1,821)
Exercise of share options	1	18	-	-	-	19	-	19
Taxation on items recorded directly in equity	-	-	-	-	292	292	-	292
Balance at 31 March 2016	3,311	18	3,832	2,254	23,465	32,880	(13)	32,867
Balance at 1 April 2016	**3,311**	**18**	**3,832**	**2,254**	**23,465**	**32,880**	**(13)**	**32,867**
Profit for the period	**-**	**-**	**-**	**-**	**7,995**	**7,995**	**(13)**	**7,982**
Other comprehensive income -								
Foreign exchange translation differences	**-**	**-**	**5,271**	**-**	**-**	**5,271**	**-**	**5,271**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**-**	**(10,074)**	**(10,074)**	**-**	**(10,074)**
Taxation on items above	**-**	**-**	**(769)**	**-**	**1,364**	**595**	**-**	**595**
Total comprehensive income for the period	**-**	**-**	**4,502**	**-**	**(715)**	**3,787**	**(13)**	**3,774**
Transactions with owners recorded directly in equity -								
Share based payments	**-**	**-**	**-**	**-**	**451**	**451**	**-**	**451**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(596)**	**(596)**	**-**	**(596)**
Exercise of share options	**8**	**46**	**-**	**-**	**(62)**	**(8)**	**-**	**(8)**
Issue of share capital, net of costs	**331**	**7,295**	**-**	**-**	**-**	**7,626**	**-**	**7,626**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**-**	**149**	**149**	**-**	**149**
Balance at 31 March 2017	**3,650**	**7,359**	**8,334**	**2,254**	**22,692**	**44,289**	**(26)**	**44,263**

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH

	Notes	2017 £000	2016 £000
Cash generated from operations	28	**8,916**	13,933
Interest paid		**(932)**	(877)
Tax paid		**(2,086)**	(1,253)
Net cash from operating activities		**5,898**	11,803
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**551**	207
Interest received		**170**	16
Acquisition of subsidiaries, net of cash acquired		**(5,672)**	-
Acquisition of property, plant and equipment		**(7,860)**	(8,274)
Acquisition of intangible assets – computer software		**(272)**	(140)
Capitalised development expenditure		**(102)**	(1,386)
Net cash from investing activities		**(13,185)**	(9,577)
Cash flows from financing activities			
Proceeds from issue of share capital, net of costs		**7,675**	-
Proceeds from exercise of share options		**-**	20
Drawings on term loan facilities		**-**	400
Repayment of borrowings		**(2,900)**	-
Cash outflow in respect of performance share plan awards		**(59)**	-
Dividends paid		**(596)**	(1,821)
Net cash from financing activities		**4,120**	(1,401)
Net (decrease) / increase in cash and cash equivalents		**(3,167)**	825
Cash and cash equivalents at beginning of period		**5,996**	5,142
Effect of exchange rate fluctuations on cash held		**552**	29
Cash and cash equivalents at end of period		**3,381**	5,996
Cash and cash equivalents comprise –			
Cash and cash deposits		**22,269**	16,692
Bank overdrafts		**(18,888)**	(10,696)
		3,381	5,996

1 Accounting policies

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 98 to 105.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

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 following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2016:

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);

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the Consolidation Exception;

Annual Improvements to IFRSs 2012 -2014 Cycle; and

Disclosure Initiative (Amendments to IAS 1).

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2017. The group has elected not to adopt early these standards which are described below:

IFRS 9 Financial Instruments (effective date 1 January 2018);

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018). The Group has commenced a project to determine accounting policies under the new standard, quantify transitional adjustments and implement system changes, processes and controls. The team is also reviewing the impact on tax, intragroup trading, forecasting and remuneration plans. This new standard is likely to have an impact on revenue disclosures. It is currently not expected to materially impact the Group's reported revenues or profits although this assessment is still ongoing;

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

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

Amendments to IAS 7: Disclosure Initiative (effective date to be confirmed);

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

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed); and

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

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

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

1 Accounting policies continued

a) Basis of accounting

The financial statements are prepared on the historical cost basis except that derivative financial instruments and share options are stated at their fair value.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Non current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

b) Basis of consolidation

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group. The results of any subsidiaries sold or acquired are included in the group income statement up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation. On acquisition of a subsidiary, all of the identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date.

i) Business combinations

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

The group measures goodwill at the acquisition date as:

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

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

ii) Acquisitions of non-controlling interests

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

c) Goodwill

In respect of business combinations that occurred since 1 April 2004, goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on acquisition of subsidiaries, joint ventures and businesses is capitalised as an asset.

In accordance with IFRS 1 and IFRS 3, goodwill at 1 April 2004 has been frozen and will not be amortised. Goodwill is allocated to cash generating units and is subject to an annual impairment review, with any impairment losses being recognised immediately in the income statement.

Any goodwill arising on the acquisition of an overseas subsidiary is retranslated at the balance sheet date.

Goodwill arising prior to 31 March 1998 and previously written off to reserves has not been reinstated.

1 Accounting policies continued

d) Other intangible assets

Intangible assets that are acquired by the group are stated at cost less accumulated amortisation (see accounting policy e) and impairment losses (see accounting policy v).

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see accounting policy e) and impairment losses (see accounting policy v).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

e) Amortisation

Intangible assets, other than goodwill, are amortised on a straight line basis to write off the cost of the asset, less estimated residual value, over the estimated economic life of the asset. Patents and development costs are amortised over a period of up to 10 years from the date upon which the patent or related development expenditure becomes available for use. Customer related intangibles are amortised over 7 to 10 years and computer software over 3 to 5 years.

f) Property, plant and equipment

The Group has taken the option provided by IFRS 1 to use its previous UK GAAP valuation as "deemed cost". Items of property, plant and equipment are stated at cost, or at deemed cost, less accumulated depreciation and impairment losses.

Depreciation on property, plant and equipment is provided using the straight line method to write off the cost or valuation less estimated residual value, using the following depreciation rates -

Freehold buildings 2.0% -5.0%
Plant and equipment 8.33% -33.33%

No depreciation is provided on freehold land.

g) Leases

Leases where the group assumes substantially all the risks and rewards of ownership are classified as finance leases, where this is not the case they are treated as operating leases. Amounts payable under operating leases are charged to net operating expenses on a straight line basis over the lease term. The group currently has no material finance leases.

h) Borrowing costs

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

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

j) Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

With regards to sub contract tooling contracts, the group uses the "percentage of completion method" to determine the appropriate amount of revenue to be recognised in a given period when the outcome can be estimated reliably. Costs incurred to date as a percentage of total cost of completion represent the "percentage cost of completion". Costs on such tooling contracts are recognised when incurred unless they create an asset related to future activity on the contract.

When it is probable that the total costs for a contract will exceed the total revenue, then the loss is recognised as an expense immediately.

1 Accounting policies continued

k) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

l) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

m) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges meeting the criteria for hedge accounting under IAS 39, are taken to the translation reserve. They are released into the income statement upon disposal.
The group has taken advantage of relief available under IFRS 1 to not separately recognise the cumulative translation differences for all foreign operations at the date of transition, 1 April 2004.

n) Dividends

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

o) Net operating expenses

Net operating expenses incurred by the business are written off to the income statement as incurred.

p) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and gains and losses on hedging instruments that are recognised in the income statement.

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

r) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for - goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.
Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

1 Accounting policies continued

s) Retirement benefit costs

The Group operates a defined benefit pension scheme and also makes payments into defined contribution schemes for employees. The pension payable under the defined benefit scheme is calculated based on years of service up to retirement and pensionable salary at the point of retirement.

The net obligation in respect of the defined benefit plan is the present value of the defined benefit obligations less the fair value of the plan's assets at the balance sheet date. The assumptions used to calculate the present value of the defined benefit obligations are detailed in note 21.

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

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

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made the Group has no further obligation.

t) Financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement of fair values is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. At the year end no derivative financial instruments qualified for hedge accounting.

u) Share based payments

The Group issues equity settled share based payments to certain employees in exchange for services rendered by them. The fair value of the share based award is calculated at the date of the grant and is expensed on a straight line basis over the vesting period with a corresponding increase in equity. This is based on the Group's estimate of share options that will eventually vest. This takes into account movement of non-market conditions, being service conditions and financial performance, if relevant.

v) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy i) and deferred tax assets (see accounting policy r), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units or group of units and then, to reduce the carrying amount of the other assets in the unit or group of units on a pro rata basis.

w) Exceptional items

In order for users of the accounts to better understand the underlying performance of the Group, the board have separately disclosed transactions which, whilst falling within the ordinary activities of the Group, are, by virtue of their size or incidence, considered to be exceptional in nature. Such transactions include costs of impairment, rationalisation, one-off retirement benefit effects, litigation costs and material bad debts.

Non operating exceptional items arise from costs incurred outside the ordinary course of the Group's business. Such items include profits, losses and associated costs arising on the disposal of surplus properties and businesses.

1 Accounting policies continued

x) Segment reporting

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

y) Provisions

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

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

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

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

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

aa) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chief executive's review on pages 12 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the finance director's review on pages 16 to 19. The directors' assessment of the viability of the Group is set out in the viability statement on page 22. In addition note 27 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

At 31 March 2017 the Group has multi-currency revolving loan facilities totalling £30.0 million with its UK bank. These facilities were renewed in March 2015 for five years to March 2020. The Group meets its day to day working capital requirements through overdraft facilities totalling £11.0 million.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2 Accounting estimates and judgements

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

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

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

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

Impairment of goodwill
Note 12 contains information about the assumptions and their risk factors relating to goodwill impairment.

Pension assumptions
Note 21 contains information about the assumptions and their risk factors relating to pensions. Management has exercised its judgement in setting these assumptions.

Recognition of deferred tax assets
Note 20 contains information about the assumptions and their risk factors relating to the recognition of deferred tax assets. Management has exercised its judgement over the recoverability of these assets.

Acquisitions of subsidiaries
Note 5 contains information about the subsidiaries acquired during the year. Management has excersiced its judgement over the fair value of net assets acquired, including intangible assets and goodwill and over the fair value of the consideration payable for which note 27 also provides information.

3 Segment reporting

At 31 March 2017, the Group was organised into four, separately managed, business segments - Technical Plastics, LED Technologies, Aerospace and CIT Technology. These are the segments for which summarised management information is presented to the Group's chief operating decision maker (comprising the main board and Group executive committee).

The Technical Plastics segment supplies fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products. This business operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

The LED Technologies segment develops innovative solutions in LED lighting, and is a leader in the development of high power LED lighting for the premium automotive industry.

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 includes the Group's development companies, Platform Diagnostics Limited and Carclo Diagnostic Solutions.

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 2017 were as follows –

	Technical Plastics £000	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	89,428	43,628	7,049	-	-	(1,823)	138,282
Less inter–segment revenue	(1,614)	(209)	-	-	-	1,823	-
Total external revenue	87,814	43,419	7,049	-	-	-	138,282
Expenses	(79,107)	(37,534)	(5,746)	-	(3,397)	-	(125,784)
Underlying operating profit	8,707	5,885	1,303	-	(3,397)	-	12,498
Rationalisation costs	(354)	-	-	640	(519)	-	(233)
Costs arising on the disposal of surplus properties	(658)	-	-	-	-	-	(658)
Litigation costs	-	-	-	-	(60)	-	(60)
Credit in respect of retirement benefits	-	-	-	-	410	-	410
Operating profit	7,695	5,885	1,303	640	(3,566)	-	11,957
Net finance expense							(1,479)
Income tax expense							(2,496)
Profit after tax							7,982

	Technical Plastics £000	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated statement of financial position							
Segment assets	104,279	38,182	6,505	1,364	9,942	-	160,272
Segment liabilities	(24,359)	(6,160)	(753)	(86)	(84,651)	-	(116,009)
Net assets	79,920	32,022	5,752	1,278	(74,709)	-	44,263
Other segmental information							
Capital expenditure on property, plant and equipment	6,412	1,622	148	-	-	-	8,182
Capital expenditure on computer software	29	45	-	-	195	-	269
Capital expenditure on other intangibles	-	101	-	-	-	-	101
Depreciation	3,465	886	167	-	17	-	4,535
Amortisation of computer software	30	29	-	-	28	-	87
Amortisation of other intangibles	27	2	-	33	-	-	62

3 Segment reporting continued

Analysis by 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

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

3 Segment reporting continued

Analysis by geographical segment

The business operates in three main geographical regions – the United Kingdom, North America and in lower cost regions including the Czech Republic, China and India, and the geographic analysis was as follows –

	External revenue		Net segment assets		Expenditure on tangible fixed assets and computer software	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**41,195**	39,644	**(23,046)**	(20,178)	**5,417**	2,332
North America	**39,698**	38,349	**33,548**	26,397	**1,450**	1,979
Rest of world	**57,389**	40,981	**33,761**	26,648	**1,584**	4,065
	138,282	118,974	**44,263**	32,867	**8,451**	8,376

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 £32.503 million (2016 - net liabilities of £23.216 million), and net borrowings of £42.001 million (2016 - £37.519 million).

One Technical Plastics customer accounted for 16.4% of group revenues (2016 – 19.3%) and one LED Technologies customer accounted for 14.7% of group revenues (2016 - 14.5%) 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.

Deferred tax assets by geographical location are as follows, United Kingdom £9.794 million (2016 - £9.283 million), North America £0.000 million (2016 - £0.335 million), Rest of world £0.489 million (2016 - £0.181 million).

Total non-current assets by geographical location are as follows, United Kingdom £23.868 million (2016 - £35.042 million), North America £24.130 million (2016 - £17.526 million), Rest of world £20.485 million (2016 - £14.092 million).

4 Operating profit

	2017 £000	2016 £000
Operating profit is arrived at as follows -		
Revenue	**138,282**	118,974
Increase in stocks of finished goods and work in progress	**1,011**	1,866
	139,293	120,840
Raw materials and consumables	**66,488**	58,788
Personnel expenses (see note 6)	**35,871**	30,631
Amortisation of intangible assets	**149**	168
Depreciation of property, plant and equipment	**4,535**	3,806
Auditor's remuneration -		
Fees payable to the company's auditor for the audit of the company's annual accounts	**75**	75
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	**98**	95
Tax advisory services	**48**	15
Audit related assurance services	**10**	-
Independent project advice	**9**	-
Total	**240**	185
Operating lease rentals -		
Property	**1,429**	1,104
Plant and machinery	**397**	598
Total	**1,826**	1,702
Rationalisation costs (see note 7)	**233**	(65)
Litigation costs (see note 7)	**60**	64
Costs arising on the disposal of surplus properties (see note 7)	**658**	-
Impairment of Carclo Diagnostic Solutions	**-**	4,858
Credit in respect of retirement benefits (see note 21)	**(410)**	-
Foreign exchange losses / (gains)	**41**	(174)
Pension scheme administration costs	**636**	603
Other operating charges	**17,009**	15,097
	127,336	115,663
Operating profit	**11,957**	5,177

5 Acquisitions of subsidiaries

Acquisitions in the current period

Acquisition of PTD

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

In the 4.5 months to 31 March 2017 the subsidiary contributed net profit of £0.337 million to the consolidated net profit for the year. If the acquisition had occurred on 1 April 2016, Group revenue would have been an estimated £3.573 million higher and net profit would have been an estimated £0.552 million higher. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2016.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities -	Recognised values on acquisition £000
PTD's net assets at the acquisition date:	
Property, plant and equipment	**421**
Intangible assets	**595**
Inventories	**611**
Trade and other receivables	**950**
Trade and other payables	**(266)**
Net identifiable assets and liabilities	**2,311**
Consideration paid:	
Initial cash price paid	**4,632**
Contingent consideration at fair value	**628**
Total consideration	**5,260**
Goodwill	**2,949**

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

Contingent consideration

The Group has agreed to pay the vendors additional consideration in January 2020 subject to the satisfaction of certain performance criteria. The estimated range of the additional consideration payment is estimated to be between £nil and £0.819 million in cash terms. The Group has included £0.628 million as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date.

Acquisition related costs

The Group incurred acquisition related costs of £0.090 million related to professional fees. These costs have been included in exceptional costs in the Group's consolidated statement of comprehensive income.

Fair values of net assets acquired

The net assets acquired were recognised at fair value. Fair value adjustments to carrying values were made in respect of the following:
- Property, plant and equipment were recognised at fair value using the market approach with input from a sector expert;
- Intangible assets were recognised at fair value as calculated using the multi-period excess earnings method.

Acquisition of FLTC

On 29 March 2017, the Group acquired all of the shares in FLTC (Europe) a.s. ("FLTC") for £1.040 million, (net of cash and cash equivalents) satisfied in cash. FLTC is an independent automotive design company based in Ostrava, Czech Republic and employs 35 designers, electronics and CAD engineers solely focussed on automotive LED lighting design. The Directors plan for FLTC to be integrated into LED Technologies' Wipac business and to transition FLTC's activities away from third party contracts and instead work exclusively to deliver Wipac customers' projects.

In the 0.0 months to 31 March 2017 the subsidiary contributed net profit of £nil to the consolidated net profit for the year. If the acquisition had occurred on 1 April 2016, Group revenue and net profit would have been unchanged. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2016.

5 Acquisitions of subsidiaries continued

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities -	Recognised values on acquisition £000
FLTC's net assets at the acquisition date:	
Property, plant and equipment	**74**
Intangible assets	**170**
Trade and other receivables	**287**
Cash and cash equivalents	**960**
Trade and other payables	**(113)**
Deferred tax liabilities	**(24)**
Net identifiable assets and liabilities	**1,354**
Consideration paid:	
Cash price paid	**2,000**
Total consideration	**2,000**
Goodwill	**646**

Goodwill has arisen on the acquisition in respect of the skilled worforce of FLTC workforce and cost synergies arising on vertical integration.

Acquisition related costs

The Group incurred acquisition related cost of £0.090 million related to professional fees. These costs have been included in exceptional costs in the Group's consolidated statement of comprehensive income.

Fair values of net assets acquired

The net assets acquired were recognised at fair value. Fair value adjustments to carrying values were made in respect of the following:
- Property, plant and equipment were recognised at fair value using the market approach with input from a sector expert;
- Intangible assets were recognised at fair value as calculated using the multi-period excess earnings method.

6 Personnel expenses

	2017 £000	2016 £000
Wages and salaries	**30,096**	25,519
Social security contributions	**4,176**	3,542
Charge in respect of defined contribution and other pension plans	**1,148**	1,099
Share based payments (see note 25)	**451**	471
	35,871	30,631

Redundancy costs of £0.087 million (2016 - £0.108 million) are excluded from the above analysis and included in note 7.
Directors' remuneration and emoluments, which are included in this analysis, are described in the directors' remuneration report on pages 38 to 54.

The gains made by the directors on the vesting of the PSP awards during the period were:

	2017 £000	2016 £000
CJ Malley	**59**	-
RJ Brooksbank	**26**	-

6 Personnel expenses continued

The average monthly number of persons employed by the group during the year was as follows –	**2017 Number of employees**	2016 Number of employees
By segment		
Unallocated	**18**	15
Technical Plastics	**1,026**	988
LED Technologies	**298**	251
Aerospace	**73**	71
CIT Technology	**3**	15
	1,418	1,340
By geographic location		
United Kingdom	**558**	498
North America	**297**	282
Rest of world	**563**	560
	1,418	1,340

7 Exceptional items

	2017 £000	2016 £000
United Kingdom		
Litigation costs	**(60)**	(64)
Rationalisation costs	**(158)**	578
Impairment review of Carclo Diagnostic Solutions	**-**	(4,858)
Credit in respect of retirement benefits	**410**	-
Costs arising on the disposal of surplus properties	**(658)**	-
North America		
Rationalisation costs	**(90)**	-
Rest of world		
Rationalisation costs	**15**	(513)
	(541)	(4,857)

£0.280 million of rationalisation costs were incurred during the year in respect of the remaining Harthill held for sale property.

A net £0.120 million credit was recognised during the year for rationalisation costs of the technology businesses CIT, CDS and PDL.

During the year the sub-lessee of a property leased by a legacy Group business became insolvent. This resulted in a claim being made by the landlord against the Group and £0.658 million of costs were recognised during the year including a £0.610 million provision as set out in note 22.

See note 21 for details of the credit in respect of retirement benefits recognised during the year.

8 Finance revenue and expense

	2017 £000	2016 £000
Finance revenue comprises –		
Interest receivable on cash at bank	**170**	17
Finance revenue	**170**	17
Finance expense comprises –		
Bank loans and overdrafts	**(842)**	(928)
Unwind of discount on provisions	**(15)**	-
Net interest on the net defined benefit liability	**(792)**	(371)
Finance expense	**(1,649)**	(1,299)

9 Income tax expense

	2017 £000	2016 £000
The expense recognised in the consolidated income statement comprises -		
United Kingdom corporation tax		
Corporation tax on profits for the current year	**(152)**	-
Adjustments for prior years	**344**	-
Overseas taxation		
Current tax	**(2,168)**	(885)
Adjustments for prior years	**61**	-
Total current tax net expense	**(1,915)**	(885)
Deferred tax expense		
Origination and reversal of temporary differences -		
Deferred tax	**(1,135)**	(410)
Rate change	**2**	(16)
Adjustments for prior years	**552**	(397)
Total deferred tax expense	**(581)**	(823)
Total income tax expense recognised in the consolidated income statement	**(2,496)**	(1,708)

Factors affecting the tax charge for the year -
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained as follows -

	2017		2016	
	£000	%	£000	%
Profit before tax	**10,478**		3,895	
Income tax using standard rate of UK corporation tax of 20% (2016 - 20%)	**2,096**	**20.0**	779	20.0
Adjustments in respect of overseas tax rates	**126**	**1.2**	362	9.3
Other temporary differences	**2,948**	**28.1**	(1,631)	(41.9)
Movement in unprovided deferred tax	**(2,870)**	**(27.4)**	2,370	60.8
Other items not deductible for tax purposes	**1,155**	**11.0**	(585)	(15.0)
Adjustment to current tax in respect of prior periods (UK and overseas)	**(405)**	**(3.9)**	-	-
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**(552)**	**(5.3)**	397	10.2
Rate change on deferred tax	**(2)**	**-**	16	0.4
Total income tax charge in the consolidated income statement	**2,496**	**23.7**	1,708	43.8

Tax on items charged outside of the consolidated income statement -

	2017 £000	2016 £000
Deferred tax relating to actuarial remeasurement of the defined benefit scheme	**(1,364)**	(1,647)
Share based payments	**(149)**	(292)
Foreign exchange movements	**769**	924
Total income tax credited to equity	**(744)**	(1,015)

10 Earnings per share

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

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

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

	2017 £000	2016 £000
Profit after tax from continuing operations	**7,982**	2,187
Loss attributable to non-controlling interests	**13**	13
Profit after tax, attributable to equity holders of the parent	**7,995**	2,200

	2017 shares	2016 shares
Weighted average number of ordinary shares in the year	**69,381,504**	66,204,557
Effect of share options in issue	**1,250**	36,413
Weighted average number of ordinary shares (diluted) in the year	**69,382,754**	66,240,970

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

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

	2017 £000	2016 £000
Profit after tax, attributable to equity holders of the parent	**7,995**	2,200
Rationalisation costs, net of tax	**169**	(77)
Litigation costs, net of tax	**48**	51
Impairment of Carclo Diagnostic Solutions, net of tax	**-**	4,518
Credit in respect of retirement benefits, net of tax	**(340)**	-
Costs arising on the disposal of surplus properties, net of tax	**546**	-
Underlying profit attributable to equity holders of the parent	**8,418**	6,692

10 Earnings per share continued

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

	2017 Pence	2016 Pence
Basic earnings per share - continuing operations	**11.5**	3.3
Basic earnings per share - discontinued operations	**-**	-
Basic earnings per share - total	**11.5**	3.3
Diluted earnings per share - continuing operations	**11.5**	3.3
Diluted earnings per share - discontinued operations	**-**	-
Diluted earnings per share - total	**11.5**	3.3
Underlying earnings per share - basic	**12.1**	10.1
Underlying earnings per share - diluted	**12.1**	10.1

11 Dividends paid and proposed

	2017 £000	2017 Pence	2016 £000	2016 Pence
Ordinary dividends per 5 pence share paid or proposed in the period comprised –				
Final dividend for 2014/15	**-**	**-**	1,258	1.90
Interim dividend for 2015/16	**-**	**-**	596	0.90
Final dividend for 2015/16	**-**	**-**	-	-
Interim dividend for 2016/17	**-**	**-**	-	-
	-	**-**	1,854	2.80

The directors are not proposing a final dividend for the year ended 31 March 2017.

No interim dividend has been paid after the year end.

12 Intangible assets

	Goodwill £000	Patents and development costs £000	Customer related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 1 March 2015	20,501	28,326	399	1,233	50,459
Additions	-	1,387	-	140	1,527
Effect of movements in foreign exchange	718	-	1	10	729
Balance at 31 March 2016	**21,219**	**29,713**	**400**	**1,383**	**52,715**
Additions	**-**	**101**	**-**	**269**	**370**
Acquisitions through business combinations	**3,595**	**-**	**664**	**101**	**4,360**
Disposals	**-**	**-**	**-**	**(3)**	**(3)**
Effect of movements in foreign exchange	**1,499**	**-**	**(14)**	**58**	**1,543**
Balance at 31 March 2017	**26,313**	**29,814**	**1,050**	**1,808**	**58,985**
Amortisation					
Balance at 31 March 2015	1,448	21,666	397	948	24,459
Amortisation for the year	-	87	4	77	168
Impairment arising on review of Carclo Diagnostic Solutions	-	4,858	-	-	4,858
Impairment arising on review of CIT Technology	-	2,968	-	-	2,968
Effect of movements in foreign exchange	-	-	(1)	6	5
Balance at 31 March 2016	**1,448**	**29,579**	**400**	**1,031**	**32,458**
Amortisation for the year	**-**	**35**	**27**	**87**	**149**
Disposals	**-**	**-**	**-**	**(3)**	**(3)**
Effect of movements in foreign exchange	**26**	**-**	**2**	**30**	**58**
Balance at 31 March 2017	**1,474**	**29,614**	**429**	**1,145**	**32,662**
Carrying amounts					
At 1 April 2015	19,053	6,660	2	285	26,000
At 31 March 2016	19,771	134	-	352	20,257
At 31 March 2017	**24,839**	**200**	**621**	**663**	**26,323**

In the year to 31 March 2016 an agreement was reached to license CIT Technology's fine line technology to UniPixel Inc. for an initial five year period during which CIT receives per annum payments of the greater of US$1.65 million or 1.67% of annual net product sales. An initial, non-refundable cash payment of US$4.67 million was received at completion and this was recognised as income on receipt. Royalty payments in excess of the initial cash payment may be paid by UniPixel in either secured loan notes or cash.
CIT also granted a royalty free Intellectual Property License for UniPixel to use CIT's know-how for metal mesh touch screen technology.
UniPixel was granted an option to extend the Patent and IPR Licenses beyond the initial five year term for a further 10 year term in exchange for annual royalty payments of 1.67% of net product sales. During this renewal term, total cumulative royalties are capped at US$8.25 million.

Impairment tests for cash generating units containing goodwill

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

	2017 £000	2016 £000
Technical Plastics	**22,458**	18,126
LED Technologies	**1,025**	389
Aerospace	**1,356**	1,256
	24,839	19,771

12 Intangible assets continued

The recoverable amounts of the cash generating units are based on value in use calculations. Those calculations use board approved cash flow projections based on actual operating results and current forecasts. Operating results, being the key assumption within the model, have been forecast for a period of five years. A five year period has been utilised given the relatively stable nature of the segments. Year one and year two (2017/18 and 2018/19) were based on detailed budgets prepared by management. Years three to five are extrapolated using these budgets and assuming growth in the range 3.0% - 10.0% per annum (2016 - 1.8% - 9.9% per annum) dependent upon the markets served. From year five onwards growth is assumed at 3.0% per annum. The cash flows were discounted at pre-tax rates in the range 8.3% - 15.3% (2016 - 7.6% - 7.6%) for Technical Plastics, LED Technologies and Aerospace. These rates are calculated and reviewed annually. Changes in income and expenditure are based on expectations of future changes in the market. No impairment arose during the year as a result of this test. The valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

13 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 March 2015	20,339	57,348	77,687
Additions	2,314	5,922	8,236
Disposals	(507)	(2,618)	(3,125)
Effect of movements in foreign exchange	647	1,262	1,909
Balance at 31 March 2016	**22,793**	**61,914**	**84,707**
Additions	**2,299**	**5,883**	**8,182**
Acquisitions through business combinations	**-**	**495**	**495**
Disposals	**(65)**	**(1,751)**	**(1,816)**
Effect of movements in foreign exchange	**2,121**	**3,097**	**5,218**
Balance at 31 March 2017	**27,148**	**69,638**	**96,786**
Depreciation and impairment losses			
Balance at 31 March 2015	4,578	41,388	45,966
Depreciation charge for the year	811	2,995	3,806
Disposals	(373)	(2,477)	(2,850)
Effect of movements in foreign exchange	168	1,020	1,188
Balance at 31 March 2016	**5,184**	**42,926**	**48,110**
Depreciation charge for the year	**966**	**3,569**	**4,535**
Disposals	**(62)**	**(1,666)**	**(1,728)**
Effect of movements in foreign exchange	**561**	**1,885**	**2,446**
Balance at 31 March 2017	**6,649**	**46,714**	**53,363**
Carrying amounts			
At 1 April 2015	15,761	15,960	31,721
At 31 March 2016	17,609	18,988	36,597
At 31 March 2017	**20,499**	**22,924**	**43,423**

At 31 March 2017, properties with a carrying amount of £6.682 million were subject to a registered charge in favour of the group pension scheme (2016 - £5.382 million).

14 Investments

	2017 £000	2016 £000
Quoted investments	**7**	7
	7	7

Quoted investments comprise non current equity securities which are available for sale.
The investments are held at cost. Their fair value is not materially different to their net book value.

15 Inventories

	2017 £000	2016 £000
Raw materials and consumables	**10,121**	7,478
Work in progress	**581**	656
Finished goods	**8,548**	7,462
	19,250	15,596

The value of inventories is stated after impairment for obsolescence and write downs to net realisable value of £1.206 million (2016 - £1.127 million).

16 Trade and other receivables

	2017 £000	2016 £000
Trade receivables	**21,234**	15,696
Less impairment provision	**(18)**	(82)
	21,216	15,614
Other debtors and prepayments	**17,252**	11,033
	38,468	26,647

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

	2017 £000	2016 £000
Not past due	**17,936**	12,615
Past due 0 – 30 days	**2,432**	1,667
Past due 31 – 60 days	**553**	741
Past due 61 – 120 days	**195**	521
More than 120 days	**100**	70
	21,216	15,614

The impairment provision is calculated based on bad and doubtful debts and invoiced sales known to be disputed by the customer. It is group policy to provide for all debts due from customers in administration or liquidation and all other debts which are more than 120 days overdue. The only exception to this policy is in respect of sub contract tooling debtors where a proportion of the contract payment may not be due until final approval and sign off of the tool by the customer which may take a period of time. Such debtors are assessed individually as to recovery.

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

17 Cash and cash deposits

	2017 £000	2016 £000
Cash at bank and in hand	**22,269**	16,692
	22,269	16,692

18 Non current assets classified as held for sale

	2017 £000	2016 £000
Surplus land and buildings	**200**	700
Net assets held for sale	**200**	700

At the year end surplus land and buildings with a written down value of £0.200 million have been reclassified as being held for sale. This relates to the property at the closed Harthill, Scotland site. These assets are being actively marketed with an expectation that they will be sold within the next year.

19 Interest bearing loans and borrowings

	2017 £000	2016 £000
Current –		
Bank overdrafts	**18,888**	10,696
	18,888	10,696
Non current –		
Bank loans repayable between two and five years	**29,406**	30,746
	29,406	30,746

Bank loans include £29.406 million (2016 - £30,746 million) secured on the assets of the group.

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2017 the gross amount of overdrafts available was £10.987 million (2016 - £10.899 million) of which £3.746 million was utilised at the year end (2016 - £0.000 million) which is net of qualifying cash balances.

At 31 March 2017 the Group had medium term multi-currency revolving loan facilities totalling £30.000 million (2016 - £30.000 million). These facilities were entered into on 27 March 2015 with the Group's principal UK banker and terminate on 27 March 2020. At 31 March 2017 these facilities were drawn to the extent of £29.406 million (2016 - £30.746 million) and incur interest at the rate of 1.50% above LIBOR.

The bank loans are secured by guarantees from certain Group companies and by fixed and floating charges over certain of the assets of a number of the Group's companies. At 31 March 2017 the gross value of the assets secured, which includes applicable inter company balances, amounted to £53.637 million (2016 - £40.010 million). Excluding inter company balances the value of the security was £38.694 million (2016 - £30.514 million).

20 Deferred tax assets and liabilities

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017 £000	2016 £000
Assets -		
Property, plant and equipment	**3,756**	4,687
Employee benefits	**5,525**	4,295
Short term timing differences	**246**	685
Share based payments	**321**	132
Tax losses	**484**	-
Deferred tax assets	**10,332**	9,799
Liabilities -		
Intangible assets	**4,060**	3,784
Property, plant and equipment	**1,778**	1,624
Short term timing differences	**302**	630
Deferred tax liabilities	**6,140**	6,038
Net deferred tax asset	**4,192**	3,761

Unrecognised deferred tax assets

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

	2017	2016
Tax losses – overseas	**34**	282
Tax losses – trading	**2,452**	4,685
Tax losses – capital	**227**	247
Tax losses – non trading	**36**	405
	2,749	5,619

20 Deferred tax assets and liabilities continued

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse in the foreseeable future. The nature of the tax regimes in certain of the regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain. This was not the case at 31 March 2017. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2017.

The tax losses at 31 March 2017 are available to carry forward without time restriction.

At 31 March 2017 there were no recognised deferred tax liabilities for taxes that would be deductible on the unremitted earnings of the group's overseas subsidiary undertakings (2016 - nil) as the group policy is to continually reinvest in those businesses. If all earnings were remitted it is estimated that £0.812 million of additional tax would be payable (2016 - £0.492 million).

Deferred tax assets and liabilities at 31 March 2017 have been calculated based on the rates substantively enacted at the balance sheet date. The UK Finance Bill 2016 provides for reductions in the UK corporation tax rate from 20% to 19% in the year commencing 1 April 2017 and then reducing to 17% from 1 April 2020; these rates became substantively enacted on 26 October 2015 and 6 September 2016 respectively.

	Balance as at 1 Apr 16 £000	**Recognised on acquisition £000**	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 17 £000**
Property, plant and equipment	**3,063**	**(11)**	**(851)**	**(223)**	**1,978**
Intangible assets	**(3,784)**	**(13)**	**26**	**(289)**	**(4,060)**
Employee benefits	**4,295**	**-**	**(134)**	**1,364**	**5,525**
Share based payments	**132**	**-**	**40**	**149**	**321**
Short term timing differences	**55**	**-**	**(146)**	**35**	**(56)**
Tax losses	**-**	**-**	**484**	**-**	**484**
	3,761	**(24)**	**(581)**	**1,036**	**4,192**

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

21 Retirement benefit obligations

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

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

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

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

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

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

A full actuarial valuation was carried out as at 31 March 2015 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the Scheme is agreed between the Group and the Trustees in line with those requirements. These in particular require the surplus or deficit to

21 Retirement benefit obligations continued

be calculated using prudent, as opposed to best estimate actuarial assumptions. This actuarial valuation showed a deficit of £46.140 million. The Group has agreed with the Trustees that it will aim to eliminate the deficit over a period of 14 years 8 months from 1 November 2015 by the payment of annual contributions of £1.169 million which will increase at 2.9% per annum, together with the assumed asset returns in excess of the rate used to discount the liabilities.The current best estimate of employer cash contributions to be paid in the year ending 31 March 2018 is £1.203 million. In addition and in accordance with the actuarial valuation, the Group has agreed with the Trustees that it will meet expenses of the Scheme and levies to the Pension Protection Fund.

For the purposes of IAS 19 the actuarial valuation as at 31 March 2015, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 March 2017. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures

The Scheme exposes the Group to actuarial risks and the key risks are set out in the table below. In each instance these risks would detrimentally impact the Group's balance sheet position and may give rise to increased interest costs in the Group income statment. The Trustees could require higher cash contributions or additional security from the Group.

The Trustees manage governance and operational risks through a number of internal controls policies, including a risk register and integrated risk management.

Risk	**Description**	**Mitigation**
Investment risk	Weaker than expected investment returns result in a worsening in the Scheme's funding position.	The Trustees continually monitor investment risk and performance and have established an investment sub-committee which includes Group representative, meets regularly and is advised by professional investment advisors. Fiduciary investment management operates for tactical investment management of the plan assets. The Scheme invests approximately 77.5% of its asset value in a portfolio of diversified growth funds which aims to generate strong returns with less short-term volatility than equities.
Interest rate risk	A decrease in corporate bond yields increases the present value of the IAS 19 defined benefit obligations. A decrease in gilt yields results in a worsening in the Scheme's funding position.	The Trustees' investment strategy includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates. Approximately 50% of the Scheme's funded liabilities are currently hedged against interest rates using liability-driven investments and the Trustees have a step plan to incrementally increase this level of hedging as its funding position improves. Note that the Scheme hedges interest rate risk on a statutory and long-term funding basis (gilts) whereas AA corporate bonds are implicit in the IAS 19 discount rate and so there is some mismatching risk to the Group should yields on gilts and corporate bonds diverge.The Scheme's exposure to corporate bonds mitigates this risk to some extent.
Inflation risk	An increase in inflation results in higher benefit increases for members which in turn increases the Scheme's liabilities.	The Trustees' investment stratey includes investing in liability-driven investments which will move with inflation expectations and hedge 60% of total inflation linked liabilities. The growth assets held are expected to provide protection over inflation in the long term. Approximately 80% of the Scheme's funded liabilities are currently hedged against inflation.
Mortality risk	An increase in life expectancy leads to benefits being payable for a longer period which results in an increase in the Scheme's liabilities.	The Trustees' actuary provides regular updates on mortality, based on scheme experience, and the assumption continues to be reviewed.

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

	2017 **£000**	2016 £000
Present value of funded obligations	**(209,448)**	(196,925)
Fair value of scheme assets	**176,945**	173,709
Recognised liability for defined benefit obligations	**(32,503)**	(23,216)

The present value of Scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the Scheme's liabilities whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. In this case as the Scheme is closed to future accrual, the accumulated benefit obligation is equal to the valuation using the projected unit credit method.

All actuarial gains and losses will be recognised in the year in which they occur in other comprehensive income. The cumulative remeasurement net loss reported in the statement of comprehensive income since 1 April 2004 is £36.372 million.

The present value of the deficit funding commitment to the Carclo Group Pension Scheme is less than the IAS 19 deficit at the balance sheet date and therefore IFRIC 14 has no effect on the figures disclosed.

21 Retirement benefit obligations continued

Movements in the net liability for defined benefit obligations recognised in the consolidated statement of financial position -	2017 £000	2016 £000
Net liability for defined benefit obligations at the start of the year	**(23,216)**	(12,131)
Contributions paid	**1,169**	1,068
Net expense recognised in the consolidated income statement (see below)	**(382)**	(371)
Remeasurement losses recognised directly in equity	**(10,074)**	(11,782)
Net liability for defined benefit obligations at the end of the year	**(32,503)**	(23,216)

Movements in the present value of defined benefit obligations -	2017 £000	2016 £000
Defined benefit obligation at the start of the year	**196,925**	201,123
Interest expense	**6,634**	6,275
Actuarial (gains) / losses due to scheme experience	**(481)**	4,451
Actuarial (gains) / losses due to changes in demographic assumptions	**(4,607)**	3,769
Actuarial losses / (gains) due to changes in financial assumptions	**26,236**	(8,602)
Benefits paid	**(14,849)**	(10,091)
Liabilities extinguished on settlements	**(410)**	-
Defined benefit obligation at the end of the year	**209,448**	196,925

Shortly before the end of the accounting period an exercise commenced offering eligible members of the Scheme cash payments in lieu of any payments deemed to be of a trivial level. As at the end of the period trivial payments had been made to 340 members, most of whom were at that point already in receipt of pensions. Those payments have removed the liabilities in respect of those members from the Scheme completely. A corresponding settlement amount of £0.410 million has been included as an exceptional credit in the profit and loss account.

The Scheme liabilities are split between active, deferred and pensioner members at 31 March as follows -	2017 %	2016 %
Active	**-**	-
Deferred	**44**	45
Pensioners	**56**	55
	100	100

Movements in the fair value of Scheme assets -	2017 £000	2016 £000
Fair value of Scheme assets at the start of the year	**173,709**	188,992
Interest income	**5,842**	5,904
Return on Scheme assets excluding interest income	**11,074**	(12,164)
Contributions by employer	**1,169**	1,068
Benefits paid	**(14,849)**	(10,091)
Fair value of Scheme assets at the end of the year	**176,945**	173,709
Actual return on Scheme assets	**16,916**	(6,260)

The fair value of Scheme asset investments was as follows -	2017 £000	2016 £000
Diversified Growth Funds	**148,567**	162,912
Bonds and Liability Driven Investments	**28,341**	9,682
Cash	**37**	1,115
	176,945	173,709

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

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

21 Retirement benefit obligations continue

Diversified growth funds are pooled funds invested across a diversified range of assets with the aim of giving long term investment growth with lower short term volatility than equities.

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

The expense recognised in the consolidated income statement was as follows -	**2017 £000**	2016 £000
Past service cost and (gain) from settlements	**(410)**	-
Net interest on the net defined benefit liability	**792**	371
	382	371

The expense is recognised in the following line items in the consolidated income statement -	**2017 £000**	2016 £000
Credited to exceptional items	**(410)**	-
Other finance revenue and expense - net interest on the net defined benefit liability	**792**	371
	382	371

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

	2017	2016
Discount rate at 31 March	**2.60%**	3.50%
Future salary increases	**N/A**	N/A
Inflation (RPI)	**3.45%**	3.00%
Inflation (CPI)	**2.35%**	1.90%
Future pension increases	**1.90%**	1.90%

The mortality assumptions adopted at 31 March 2017 are 140% of the standard tables S2PxL, Year of Birth, no age rating for males and females, projected using CMI_2016 converging to 1.00% p.a. These imply the following life expectancies -

	2017	2016
Life expectancy for a male (current pensioner) aged 65	**18.1 years**	18.4 years
Life expectancy at 65 for a male aged 40	**19.5 years**	20.1 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2016 -100%).

The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates, mortality rates and commutation. Due to the relative size of the Scheme's liabilities, small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the Group balance sheet.

The sensitivity to the principal actuarial assumptions of the present value of the defined benefit obligation is shown in the following table -

	2017 %	**2017 £000**	2016 %	2016 £000
Discount rate [1]				
Decrease of 0.25% per annum	**3.50%**	**7,331**	3.50%	6,892
Decrease of 1.0% per annum	**14.6%**	**30,579**	14.6%	28,751
Inflation [2]				
Increase of 0.25% per annum	**1.90%**	**3,980**	1.90%	3,742
Increase of 1.0% per annum	**8.00%**	**16,756**	8.00%	15,754
Life expectancy				
Increase of 1 year	**3.30%**	**6,912**	3.50%	6,892

[1] At 31 March 2017, the assumed discount rate is 2.60% (2016: 3.50%).

[2] At 31 March 2017, the assumed rate of RPI inflation is 3.45% and CPI inflation 2.35% (2016: RPI 3.00% and CPI 2.35%).

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases.

The weighted average duration of the defined benefit obligation at 31 March 2017 is 14 years (2016: 14 years).

The life expectancy assumption has been applied by allowing for an increase/decrease in life expectation from age 60 of one year, based upon the approximate weighted average age for the Scheme. Whilst this is an approximate approach and will not give the same result as a one year increase in life expectancy at every age, it provides an appropriate indication of the potential impact on the Schemes from changes in life expectancy.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

21 Retirement benefit obligations continued

	2017 £000	2016 £000
Present value of funded obligation	**(209,448)**	(196,925)
Fair value of scheme asset investments	**176,945**	173,709
Recognised liability for defined benefit obligations	**(32,503)**	(23,216)
Actual return on scheme assets	**16,916**	(6,260)
Actuarial gains / (losses) due to scheme experience	**481**	(4,451)
Actuarial gains / (losses) due to changes in demographic assumptions	**4,607**	(3,769)
Actuarial (losses) / gains due to changes in financial assumptions	**(26,236)**	8,602

22 Provisions

	2017			2016		
	CIT expected costs £000	**Site closure £000**	**Total £000**	CIT expected costs £000	Site closure £000	Total £000
Provisions at the start of the year	**577**	**43**	**620**	1,703	500	2,203
Provision established in the period	**-**	**685**	**685**	-	-	-
Provisions used in the period	**(569)**	**(43)**	**(612)**	(1,126)	(457)	(1,583)
Provisions at the end of the year	**8**	**685**	**693**	577	43	620
Non-current	**-**	**440**	**440**	-	-	-
Current	**8**	**245**	**253**	577	43	620
	8	**685**	**693**	577	43	620

The £0.043 million provision carried forward at 31 March 2016 in respect of the closure of the Harthill, Scotland site was used in full in the period and a further £0.075 million was provided at 31 March 2017.

A £0.610 million provision in respect of exit costs for a site leased by a legacy Group business was established during the year. Details are set out in note 7.

£0.569 million of the £0.577 million provision carried forward at March 2016 for the remainder of the costs in respect of the CIT Technology division was used in the period.

23 Trade and other payables - falling due within one year

	2017 £000	2016 £000
Trade payables	**14,527**	9,767
Other taxes and social security costs	**2,594**	2,759
Other creditors	**4,305**	2,867
Accruals and deferred income	**4,261**	4,799
	25,687	20,192

24 Trade and other payables - falling due in more than one year

	2017 £000	2016 £000
Other creditors	**636**	-
	636	-

25 Ordinary share capital

Ordinary shares of 5 pence each -	Number of shares	£000
Issued and fully paid at 31 March 2016	**66,213,142**	**3,311**
Shares issued on placing of shares for cash	**6,631,026**	**331**
Shares issued on exercise of share options	**163,500**	**8**
Issued and fully paid at 31 March 2017	**73,007,668**	**3,650**

During the course of the financial year 163,500 shares were issued in respect of share options at an average exercise price of 30.1 pence per ordinary share. The shares are fully paid.
During the year 6,631,026 shares were issued in a market placement at a price of 120.0 pence per ordinary share. The shares are fully paid.

25 Ordinary share capital continued

Outstanding share options are as follows -	Date granted	Number of shares	Price	Date exercisable
Executive share option schemes	23 June 2008	2,000	86p	23 June 2011 to 22 June 2018

Outstanding awards under the performance share plan are as follows -

	Date granted	Number of shares	Price	Earliest date of vesting
Performance share plan	11 July 2014	584,000	nil	11 July 2017
	13 July 2015	459,000	nil	13 July 2018
	13 July 2016	466,000	nil	13 July 2019

The share options have been awarded to the executive directors and senior managers within the Group.

The vesting conditions for all share option schemes are three years of service plus the satisfaction of specified performance criteria.

Under the provisions of IFRS 2 a charge is recognised for those share options and awards under the performance share plan issued after 7 November 2002. The estimate of the fair value of the services received is measured based on the Black-Scholes model for share options granted under the executive and discretionary share option schemes. The Monte-Carlo model is used to calculate the fair value of the performance share plan awards. The contractual life of the share options (ten years) is used as an input into this model. Expectations of early exercise are incorporated into the model.

The fair value per share of the awards under the performance share plan granted in the year is as follows -	**2017**	2016
	13 July 2016 Award	13 July 2015 Award
Performance share plan		
Fair value at grant date	**110p**	104p
Share price at grant date	**140p**	145p
Exercise price	**0.0p**	0.0p
Expected volatility	**53.25%**	52.36%
Expected dividend yield	**0.65%**	2.30%

The performance share plan award issued on 13 July 2016 has a split performance condition whereby half of the awards would vest after three years based on performance compared to TSR and the remaining half would vest based on EPS performance. Half of the awards will vest on a sliding scale from 25% if EPS growth exceeds RPI by 5% per annum or more over the three year period beginning with the year of grant, rising to 100% if EPS growth exceeds RPI by 12% per annum. The other half of the awards will vest on a sliding scale from 25% if TSR exceeds the median performance of the constituents of the FTSE Small Cap Index over the three year period ending on 31 March 2019 rising to 100% for upper quartile performance.

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

The amounts recognised in the income statement arising from equity settled share based payments was a charge of £0.451 million (2016 - £0.471 million).

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

	2017		2016	
	Weighted average exercise price pence	**Number of options**	Weighted average exercise price pence	Number of options
Outstanding at 1 April	**3.9**	**1,310,000**	7.5	940,000
Lapsed during the period	**-**	**(101,500)**	-	(65,000)
Exercised during the period	**30.1**	**(163,500)**	80.0	(24,000)
Granted during the period	**-**	**466,000**	-	459,000
Outstanding at the end of the period	**0.1**	**1,511,000**	3.9	1,310,000
Exercisable at 31 March		**2,000**		66,000
Weighted average remaining life at 31 March		**14 months**		17 months

The weighted average share price at the date of exercise for the share options exercised in the year to 31 March 2017 was 148.26 pence (2016 - 147.00 pence).

26 Reserves

	2017 £000	2016 £000
Other reserves		
Other reserves comprise –		
Revaluation reserve arising on land and buildings	**252**	252
Revaluation reserve arising on intangible assets	**2,002**	2,002
	2,254	2,254

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

Retained earnings

Netted against retained earnings is the cost of own shares held by the Group. The company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the Group's share option schemes. As at 31 March 2017 the plan held 3,077 shares (2016 - 3,077 shares).

27 Financial instruments

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or financial institution fails to meet its contractual obligations. The Group's credit risk is mainly attributable to its trade receivables which the Group mitigates by way of credit insurance. Credit insurance is sought for all customers where exposure is in excess of £10,000. In certain instances credit insurance cannot always be obtained or cover has been withdrawn. In such instances payment terms are re-negotiated and internal credit limits established. The amounts shown in the balance sheet are after making due provision for any doubtful debts.

The Group maintains any surplus cash balances on deposit accounts or legal offset accounts with the Group's principal bank which has a high credit rating assigned by independent international credit rating agencies. In addition, the Group has undrawn net overdraft facilities of £7.241 million at 31 March 2017 (2016 - £10.899 million) which are available to mitigate any liquidity risk.

The maximum exposure to credit risk as at 31 March was –	2017 £000	2016 £000
Quoted investments	**7**	7
Trade receivables, net of attributable impairment provisions	**21,216**	15,614
Cash and cash deposits	**22,269**	16,692
	43,492	32,313

Carclo is a worldwide supplier of components and systems. As a consequence, the Group's trade receivables reside across a broad spectrum of countries which potentially increases the attributable credit risk in certain territories. The following table analyses the geographical location of trade receivables, net of attributable impairment provisions.

	2017 £000	2016 £000
United Kingdom	**6,072**	5,542
Rest of Europe	**5,690**	4,677
North America	**5,446**	3,719
Rest of world	**4,008**	1,676
Trade receivables, net of attributable impairment provisions	**21,216**	15,614

27 Financial instruments continued

Interest rate risk

The Group's borrowings are on floating rate terms. In the year to 31 March 2017, interest rates have remained low in response to the worldwide recession. This has kept the interest charge borne by the Group at a lower level.

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

As at 31 March 2017	Floating rate interest payable £000
Sterling	**33,359**
US dollar	**8,460**
Euro	**6,475**
Other	**-**
	48,294
As at 31 March 2016	
Sterling	28,076
US dollar	5,942
Euro	7,377
Other	47
	41,442

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

As at 31 March 2017	Floating rate interest receivable £000	No interest receivable £000	Total £000
Sterling	**9,722**	**14**	**9,736**
US dollar	**6,144**	**1**	**6,145**
Euro	**4,373**	**3**	**4,376**
Other	**1,989**	**23**	**2,012**
	22,228	**41**	**22,269**

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by maintaining a mixture of committed long term loan facilities and short term overdraft facilities which have been established to ensure that adequate funding is available to fund its operational and investment activities. The board monitors the Group's cash flows against internal targets and thresholds established with the Group's bankers.

As detailed in note 19, the Group has committed term loan facilities of £30.000 million (2016 -£30.000 million). In addition,the Group has overdraft facilities totalling £10.987 million (2016 -£10.899 million). The Group's net debt at 31 March 2017 was £26.025 million (2016 -£24.750 million), comfortably within the available facilities.

27 Financial instruments continued

Foreign currency risk

The Group has a number of overseas subsidiary operations. The major overseas subsidiaries are located in the United States, France, the Czech Republic, China and India. Hence the balance sheet of the Group can be affected by the applicable conversion rates, the sterling / US dollar exchange rate in particular. It is the Group's policy to hedge the effect of such structural currency exposures by having borrowings in the appropriate currencies where it is considered efficient to do so. A loan of US $10.600 million is designated as the hedging instrument against foreign currency exposures in the net investment in the trading subsidiaries in the United States. A loan of €7.500 million is designated as the hedging instrument against foreign currency exposures in the net investment in the European operations.

In addition the Group is subject to transactional currency exposures arising from the sale and purchase of goods and services in currency other than the company's local currency. Historically it has been the Group's policy to hedge such exposure where the net exposure in any one currency exceeds £20,000 on any day using forward contracts. However, within the UK operations opportunities have been exploited to naturally hedge inflows in currency with similar outflows. It is the Group's policy not to undertake any speculative transactions.

The fair value of the forward contracts at the start and end of the financial year was immaterial. The cash flows associated with the forward contracts are summarised as follows –

	2017		2016	
	Less than 6 months £000	**6 - 12 months £000**	Less than 6 months £000	6 - 12 months £000
Assets	**1,966**	**-**	1,760	-
Liabilities	**-**	**-**	-	-
	1,966	**-**	1,760	-

The balance sheet exposure to currency at the year end arising from trading activities is illustrated in the following analysis by currency of the Group's trade receivables and trade payables –

	Sterling £000	**US Dollar £000**	**Euro £000**	**Other £000**	**Total £000**
As at 31 March 2017					
Trade receivables, net of attributable impairment provisions	**7,929**	**6,135**	**3,898**	**3,254**	**21,216**
Trade payables	**(5,182)**	**(5,612)**	**(3,233)**	**(500)**	**(14,527)**
Net	**2,747**	**523**	**665**	**2,754**	**6,689**
As at 31 March 2016					
Trade receivables, net of attributable impairment provisions	6,795	3,850	2,570	2,399	15,614
Trade payables	(3,073)	(3,674)	(2,103)	(917)	(9,767)
Net	3,722	176	467	1,482	5,847

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

	Average rate		Reporting date mid-market rate	
	2017	2016	**2017**	2016
Sterling / US dollar	**1.29**	1.50	**1.25**	1.44
Sterling / Czech koruna	**32.4**	36.9	**31.7**	34.2
Sterling / Chinese renminbi	**8.78**	9.52	**8.63**	9.27
Sterling / Euro	**1.19**	1.35	**1.17**	1.27
Sterling / Indian rupee	**87.0**	98.3	**81.2**	95.1

Fair values

The fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between third parties. Where available, market values are used to determine fair values, otherwise fair values are calculated by discounting expected cash flows at prevailing interest and exchange rates. The fair value of the derivatives and financial instruments was not materially different to the book value at 31 March 2017 and 31 March 2016. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2017 were insignificant.

27 Financial instruments continued

During the year ended 31 March 2017 contingent consideration in respect of the acquisition of PTD was recognised at fair value and is categorised as Level 3 in the fair value hierarchy. The expected payment reflects the calculated cash out flows under possible earn out scenarios and is discounted using a risk-adjusted discount rate. The significant unobservable inputs inherent are the expected cash payment of $1.000 million and the discount rate of 8.35%.

The actual cash payment may be either nil or within the range $0.800 million to $1.000 million depending on the satisfaction of certain performance criteria.

The table below shows the effect on fair value of changing the significant inputs used in the fair value measurement to another reasonably possible assumption.

	Profit or Loss	
	Favourable £000	**Unfavourable £000**
Expected cash payment of $0.800 million	**128**	-
Expected cash payment of nil	**636**	-

The table below analyses and reconciles financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Level 3 £000
Financial liabilities designated as fair value through profit or loss	
Contingent consideration	
As at April 2016	-
Recognised on acquisition of subsidiary - see note 5	**628**
Total gains or losses	
- in profit or loss as a finance expense	**15**
- in other comprehensive income as a foreign exchange translation difference	**(7)**
As at 31 March 2017	**636**

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. In the year ended 31 March 2017, it is estimated that a general increase of one percentage point in interest rates would have decreased the Group's profit before tax by approximately £0.299 million (2016 –£0.459 million decrease). It is estimated that a general increase of 10% in the value of sterling against the above noted main currencies would have decreased the Group's profit before tax by approximately £1.329 million for the year ended 31 March 2017 (2016 –£0.882 million decrease) which is detailed by currency in the following table –

	2017 £000	2016 £000
US dollar	**614**	385
Euro	**390**	257
Czech koruna	**154**	115
Other	**171**	125
	1,329	882

Capital risk management

The capital structure of the Group consists of net debt (borrowings as detailed in note 19 offset by cash and bank balances) and equity of the Group (comprising issued share capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity).

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

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

28 Cash generated from operations

	2017 £000	2016 £000
Operating profit	**11,957**	5,177
Adjustments for -		
Pension fund contributions in excess of service costs	**(1,169)**	(1,068)
Depreciation charge	**4,535**	3,806
Amortisation of intangible assets	**149**	168
Exceptional impairment of intangible assets, arising on rationalisation of business	**-**	7,826
Loss on disposal of other plant and equipment	**37**	68
Exceptional credit in respect of retirement benefits	**(410)**	-
Provisions charged in respect of exit of Harthill operation	**685**	-
Cash flow relating to provision for site closure costs	**(612)**	(1,583)
Share based payment charge	**452**	471
Operating cash flow before changes in working capital	**15,624**	14,865
Changes in working capital (excluding the effects of acquisitions of subsidiaries)		
Increase in inventories	**(2,044)**	(1,939)
Increase in trade and other receivables	**(9,225)**	(1,919)
Increase in trade and other payables	**4,561**	2,926
Cash generated from operations	**8,916**	13,933

29 Financial commitments

	2017 £000	2016 £000
(a) The directors have authorised the following future capital expenditure which is contracted -	**334**	600

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

	2017 £000	2016 £000
within one year	**1,904**	393
within two to five years	**4,923**	3,197
more than five years	**1,705**	1,064
	8,532	4,654

30 Related parties

Identity of related parties

The group has a related party relationship with its subsidiaries (see note 31), its directors and executive officers and the group pension scheme. There are no transactions that are required to be disclosed in relation to the group's 60% subsidiary Platform Diagnostics Limited.

Transactions with key management personnel

Key Management personnel are considered to be the executive directors of the Group.
Details of directors' remuneration can be found in the remuneration report on pages 38 to 54.

Group pension scheme

During the year Carclo engaged a third party professional firm to administer the Group pension scheme (The Carclo Group Pension Scheme). The associated investment managers' costs are met by the Scheme in full. The investment managers' costs in the year ended 31 March 2017 which were paid by Carclo and recharged to the Scheme amounted to £0.000 million (2016 -£0.000 million). From 1 April 2007, it has been agreed with the Trustees of the Scheme that, under the terms of the recovery plan, Carclo would bear the Scheme's administration costs whilst the Scheme was in deficit, as calculated at the triennial valuation. Carclo incurred administration costs of £0.636 million which has been charged to the Consolidated Income Statement (2016 -£0.603million).

31 Group entities

Control of the group

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

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

Investments in subsidiaries

The Group and Company have the following investments in subsidiaries -

	Registered office address	Principal place of business	Class of shares held	**2017 %**	2016 %
Company					
Acre Mills (UK) Limited	*	UK	Ordinary	**100**	100
Arthur Lee & Sons (Hot Rolling Mills) Limited	*	UK	Ordinary	**100**	100
Australian Card Clothing Limited	*	UK	Ordinary	**100**	100
Bruntons Aero Products Limited	*	UK	Ordinary	**100**	100
Bruntons (Musselburgh) Limited	**	UK	Ordinary	**100**	100
Brymill Stockholders Limited	*	UK	Ordinary	**100**	100
Carclo Diagnostic Solutions Limited	*	UK	Ordinary	**100**	100
Carclo Group Services Limited	*	UK	Ordinary	**100**	100
Carclo Holding Corporation	190 Elgin Avenue, Grand Cayman, KY1-9005	Cayman Islands	Ordinary	**100**	100
Carclo Holding Limited	*	UK	Ordinary	**100**	100
Carclo Investments Limited	*	UK	Ordinary	**100**	100
Carclo Overseas Holdings Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics Private Co. Limited	27A (2) KIADB Industrial Area, Doddabalapur, Bangalore - 561203, Karnataka	India	Ordinary	**100**	100
Carclo Technical Plastics (Mitcham) Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics (Slough) Limited	*	UK	Ordinary	**100**	100
Carclo Zephyr Limited	*	UK	Ordinary	**100**	100
CIT Technology Limited	*	UK	Ordinary	**100**	100
Critchley, Sharp & Tetlow Limited	*	UK	Ordinary	**100**	100
Crowther & Gee Limited	*	UK	Ordinary	**100**	100
CTP Davall Limited	**	UK	Ordinary	**100**	100
CTP Lichfield Limited	*	UK	Ordinary	**100**	100
CTP Silleck Limited	*	UK	Ordinary	**100**	100
CTP Silleck Scotland Limited	**	UK	Ordinary	**100**	100
CTP White Knight Limited	*	UK	Ordinary	**100**	100
Dell Baler Limited	*	UK	Ordinary	**100**	100
Edwin Stead & Sons Limited	*	UK	Ordinary	**100**	100
Fairbank Brearley Limited	*	UK	Ordinary	**100**	100
Finespark (Horsham) Limited	*	UK	Ordinary	**100**	100
Highfield Mills Limited	*	UK	Ordinary	**100**	100
Hills Diecasting Company Limited	*	UK	Ordinary	**100**	100
Hills Non Ferrous Limited	*	UK	Ordinary	**100**	100
Horsfall & Bickham Limited	*	UK	Ordinary	**100**	100
Horsfall Card Clothing Limited	*	UK	Ordinary	**100**	100
Ironfoil Limited	*	UK	Ordinary	**100**	100
John Sharp (Wire) Limited	*	UK	Ordinary	**100**	100
J.W.& H. Platt Limited	*	UK	Ordinary	**100**	100
Lee Of Sheffield Limited	*	UK	Ordinary	**100**	100
Lee Stainless Steel Services Limited	*	UK	Ordinary	**100**	100
Leeplas Limited	*	UK	Ordinary	**100**	100
Metallic Card Clothing Company Limited (The)	*	UK	Ordinary	**100**	100
Norseman (Cables & Extrusions) Limited	*	UK	Ordinary	**100**	100
Novoplex Limited	*	UK	Ordinary	**100**	100
Pratt, Levick And Company Limited	*	UK	Ordinary	**100**	100
Rumbold Securities Limited	*	UK	Ordinary	**100**	100
Seymour Plastics Limited	*	UK	Ordinary	**100**	100
Sheffield Wire Rope Company Limited (The)	*	UK	Ordinary	**100**	100
Shepley Investments Limited	*	UK	Ordinary	**100**	100
Smith Wires Limited	*	UK	Ordinary	**100**	100
Station Road (UK) Limited	*	UK	Ordinary	**100**	100
Texture Rolled Limited	*	UK	Ordinary	**100**	100
Thomas White & Sons Limited	**	UK	Ordinary	**100**	100
Trubrite Limited	*	UK	Ordinary	**100**	100

31 Group entities continued

	Registered office address	Principal place of business	Class of shares held	**2017 %**	2016 %
Company Continued					
Tru-Grit Limited	*	UK	Ordinary	**100**	100
Wipac Limited	London Road, Buckingham, MK18 1BH	UK	Ordinary	**100**	100
Woodcock & Booth Limited	*	UK	Ordinary	**100**	100
Woodhead Limited	*	UK	Ordinary	**100**	100
Yorkshire Engineering Supplies Limited	*	UK	Ordinary	**100**	100
Group					
AA Electronics Design Singapore PTE Limited	One Raffles Place, #10-62, Tower 2	Singapore	Ordinary	**100**	100
Apollo Steels Limited	*	UK	Ordinary	**100**	100
Carclo France SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Ordinary	**100**	100
Carclo Platt Nederland BV	Prof. dr. dorgelolaan 12, 5613 AM, Eindhoven	Netherlands	Ordinary	**100**	100
Carclo Securities Limited	*	UK	Ordinary	**100**	100
Carclo Technical Plastics (Brno) s.r.o	Turanka 98, 627000, Brno	Czech Republic	Ordinary	**100**	100
Carclo US Finance No. 2	*	UK	Ordinary	**100**	100
Carclo US Holdings Inc	600 Depot St. Latrobe, PA. 15650	USA	Ordinary	**100**	100
Chapmans Springs Limited	*	UK	Ordinary	**100**	100
CTP Alan Limited	*	UK	Ordinary	**100**	100
CTP Carrera Inc	600 Depot St. Latrobe, PA. 15650	USA	Ordinary	**100**	100
CTP Finance NV	Pareraweg 45, Curacao	Curacao	Ordinary	**100**	100
CTP Moulded Gears Limited	*	UK	Ordinary	**100**	100
CTP Precision Tooling Limited	*	UK	Ordinary	**100**	100
CTP Taicang Co., Ltd	No. 8 Xixin Road, Chengxiang Town, Taicang City, Jiangsu Province 215411	China	Ordinary	**100**	100
Datacall Limited	*	UK	Ordinary	**100**	100
D.B.T. (Motor Factors) Limited	*	UK	Ordinary	**100**	100
Douglas Campbell Limited	**	UK	Ordinary	**100**	100
European Card Clothing Company Limited	*	UK	Ordinary	**100**	100
Electro-Medical Limited	*	UK	A1 ordinary & Ordinary	**100**	100
Finemoulds Limited	*	UK	Ordinary	**100**	100
Finespark (Singapore) PTE Limited	One Raffles Place, #10-62, Tower 2	Singapore	Ordinary	**100**	100
FLTC (Europe) a.s.	Hrusovska 3203/13a, 702 00 Moravská Ostrava	Czech Republic	Ordinary	**100**	100
Gilby-Brunton Limited	**	UK	Ordinary	**100**	100
Industates Limited	*	UK	Ordinary	**100**	100
Jacottet Industrie SAS	40 bis Avenue d'Orleans, 28000, Chartres	France	Ordinary	**100**	100
John Shaw Lifting & Testing Services Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead (Manchester) Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead (Ossett) Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead (Sheffield) Limited	*	UK	Ordinary	**100**	100
Jonas Woodhead & Sons Limited	*	UK	Ordinary	**100**	100
K.A.S. Precision Engineering Limited	*	UK	Ordinary	**100**	100
Platform Diagnostics Limited	*	UK	A1 ordinary	**60**	60
Rumbold Investments Limited	*	UK	Ordinary	**100**	100
Shepley Securities Limited	*	UK	Ordinary	**100**	100
Sima Plastics Limited	*	UK	Ordinary	**100**	100
Squires Steel Stockholders Limited	*	UK	Ordinary	**100**	100
Sybro Limited	*	UK	Ordinary	**100**	100
Toledo Woodhead Springs Limited	*	UK	Ordinary	**100**	100
Tolwood Engineering Limited	*	UK	Ordinary	**100**	100
Woodhead Components Limited	*	UK	Ordinary	**100**	100
Woodhead Construction Services Limited	*	UK	Ordinary	**100**	100
Woodhead Steel Limited	*	UK	Ordinary	**100**	100

* Registered office address is: PO Box 88, 27 Dewsbury Road, Ossett, West Yorkshire, WF5 9WS

** Registered office address is: C/O Bruntons Aero Products, Units 1-3, Block 1, Inveresk, Industrial Estate, Musselburgh, East Lothian, EH21 7PA

COMPANY BALANCE SHEET AS AT 31 MARCH

	Notes	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	33	**265**		115	
Investment in subsidiary undertakings	34	**102,266**		102,502	
			102,531		102,617
Current assets					
Debtors - amounts falling due within one year	35	**107,643**		75,111	
Debtors - amounts falling due after more than one year	35	**4,848**		198	
Cash at bank and in hand		**2,278**		1,237	
		114,769		76,546	
Creditors - amounts falling due within one year					
Trade and other creditors	36	**122,012**		113,973	
		122,012		113,973	
Net current liabilities			**(7,243)**		(37,427)
Total assets less current liabilities			**95,288**		65,190
Creditors - amounts falling due after more than one year	37		**(29,406)**		(30,746)
Net assets excluding pension liability			**65,882**		34,444
Pension liability	39		**(32,503)**		(23,216)
Total net assets			**33,379**		11,228
Capital and reserves					
Called up share capital	25		**3,650**		3,311
Share premium account			**7,359**		18
Profit and loss account	40		**22,370**		7,899
Shareholders' funds			**33,379**		11,228

These accounts were approved by the board of directors on 6 June 2017
and were signed on its behalf by -

Michael Derbyshire
Robert Brooksbank } directors

6 June 2017

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	3,310	-	18,723	22,033
Profit for the period	-	-	725	725
Other comprehensive income -				
Remeasurement losses on defined benefit scheme	-	-	(11,846)	(11,846)
Taxation on items above	-	-	1,647	1,647
Total comprehensive income for the period	-	-	(9,474)	(9,474)
Transactions with owners recorded directly in equity -				
Share based payments	-	-	471	471
Dividends to shareholders	-	-	(1,821)	(1,821)
Exercise of share options	1	18	-	19
Balance at 31 March 2016	3,311	18	7,899	11,228
Balance at 1 April 2016	**3,311**	**18**	**7,899**	**11,228**
Profit for the period	**-**	**-**	**23,239**	**23,239**
Other comprehensive income -				
Remeasurement losses on defined benefit scheme	**-**	**-**	**(10,074)**	**(10,074)**
Taxation on items above	**-**	**-**	**1,364**	**1,364**
Total comprehensive income for the period	**-**	**-**	**14,529**	**14,529**
Transactions with owners recorded directly in equity -				
Share based payments	**-**	**-**	**451**	**451**
Dividends to shareholders	**-**	**-**	**(596)**	**(596)**
Exercise of share options	**8**	**46**	**(62)**	**(8)**
Issue of share capital, net of costs	**331**	**7,295**	**-**	**7,626**
Taxation on items recorded directly in equity	**-**	**-**	**149**	**149**
Balance at 31 March 2017	**3,650**	**7,359**	**22,370**	**33,379**

32 Accounting policies for the company

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

a) Basis of preparation

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

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

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

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

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

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:
-IFRS 2 Share Based Payments in respect of group settled share based payments; and
-Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 45.

The company has adopted the following IFRSs in these financial statements:
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);
Amendments to IFRS 10, IFRS 12 and IAS 28 -Investment entities: Applying the Consolidation Exception.
Annual Improvements to IFRSs 2012 -2014 Cycle; and
Disclosure Initiative (Amendments to IAS 1).

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

b) Measurement convention

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

c) Operating lease payments

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

d) Investments

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

e) Tangible fixed assets

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

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

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

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

f) Taxation

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

32 Accounting policies for the company continued

f) Taxation continued

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

g) Employee benefits

Defined contribution plans -

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

Defined benefit plans -

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

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

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

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

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

The liability in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains and losses. Actuarial gains and losses that arise are recognised in full with the movement recognised in the statement of total recognised gains and losses.

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

h) Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

i) Financial instruments

The company uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational activities. In accordance with its treasury policy, the company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on remeasurement of fair values is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. At the year end no derivative financial instruments qualified for hedge accounting.

j) Share based payments

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

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

32 Accounting policies for the company continued

j) Share based payments continued

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

Further disclosure in relation to share-based payments is given in note 25 of the Group financial statements.

k) Dividends

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

33 Tangible fixed assets

	Plant and equipment £000
Cost	
Balance at 31 March 2016	**999**
Additions	**195**
Disposals	**-**
Balance at 31 March 2017	**1,194**
Depreciation and impairment losses	
Balance at 31 March 2016	**884**
Depreciation charge	**45**
Disposals	**-**
Balance at 31 March 2017	**929**
Carrying amounts	
At 31 March 2016	115
At 31 March 2017	**265**

34 Fixed asset investments

	Shares in group undertakings £000
Cost	
Balance at 31 March 2016	151,872
Additions	-
Disposals	-
Balance at 31 March 2017	**151,872**
Provisions	
Balance at 31 March 2016	49,370
Impairment losses	236
Disposals	-
Reversal of past impairments	-
Balance at 31 March 2017	**49,606**
Net book value	
At 31 March 2016	102,502
At 31 March 2017	**102,266**

During the year the company provided £0.236 million against its investment in CIT Technology Limited, a wholly owned English subsidiary.

A list of subsidiary undertakings is given in note 31 to the group financial statements.

35 Debtors

	2017 £000	2016 £000
Debtors - amounts falling due within one year -		
Amounts owed by group undertakings	**100,963**	69,911
Other debtors	**506**	554
Prepayments and accrued income	**127**	101
Taxation recoverable	**69**	69
Deferred taxation (see note 38)	**5,978**	4,476
	107,643	75,111
Debtors - amounts falling due after more than one year -		
Amounts owed by group undertakings	**4,848**	198

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

	2017 £000	2016 £000
Bank overdrafts	**15,416**	8,431
Trade creditors	**32**	13
Taxation and social security	**57**	53
Other creditors	**-**	89
Accruals and deferred income	**1,077**	771
Amounts owed to group undertakings	**105,430**	104,616
	122,012	113,973

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2017 the gross amount of overdrafts available was £10.987 million (2016 - £10.899 million) of which £3.746 million was utilised at the year end (2016 - £0.000 million) which is net of qualifying cash balances.

37 Creditors – amounts falling due after more than one year

	2017 £000	2016 £000
Bank loans	**29,406**	30,746
	29,406	30,746

Bank loans include £29.406 million (2016 - £30,746 million) secured on the assets of the group.

At 31 March 2017 the Group had medium term multi-currency revolving loan facilities totalling £30.000 million (2016 - £30.000 million). These facilities were entered into on 27 March 2015 with the Group's principal UK banker and terminate on 27 March 2020. At 31 March 2017 these facilities were drawn to the extent of £29.406 million (2016 - £30.746 million) and incur interest at the rate of 1.50% above LIBOR.

The bank loans are secured by guarantees from certain Group companies and by fixed and floating charges over certain of the assets of a number of the Group's companies. At 31 March 2017 the gross value of the assets secured, which includes applicable inter company balances, amounted to £53.637 million (2016 - £40.010 million). Excluding inter company balances the value of the security was £38.694 million (2016 - £30.514 million).

38 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Deferred tax assets and liabilities are attributable to the following -						
Employee benefits	**5,525**	4,295	**-**	-	**5,525**	4,295
Tangible fixed assets	**119**	176	**-**	-	**119**	176
Other	**334**	5	**-**	-	**334**	5
Tax assets / (liabilities)	**5,978**	4,476	**-**	-	**5,978**	4,476
Net of tax (liabilities) / assets	**-**	-	**-**	-	**-**	-
Net tax assets / (liabilities)	**5,978**	4,476	**-**	**-**	**5,978**	4,476

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

	2017	2016
	£000	£000
Tax losses - trading	**940**	835
Tax losses - capital	**227**	241
Tax losses - non trading	**-**	173
	1,167	1,249

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse in the foreseeable future. The nature of the tax regimes in certain of the regions in which Carclo operates are such that tax losses may arise even though the business is profitable. This situation is expected to continue in the medium term. Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain. This was not the case at 31 March 2017. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2017

The tax losses at 31 March 2017 are available to carry forward without time restriction.

Movement in deferred tax during the year -

	Balance as at 1 Apr 16 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 17 £000**
Employee benefits	**4,295**	**(134)**	**1,364**	**5,525**
Tangible fixed assets	**176**	**(57)**	**-**	**119**
Other	**5**	**180**	**149**	**334**
	4,476	**(11)**	**1,513**	**5,978**

Movement in deferred tax during the prior year -

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

39 Pension Liability

The Group operates a defined benefit UK pension scheme which provides pensions based on service and final pay.
The Company is the sponsoring employer throughout the current and prior period and full disclosures in respect of the plan are given in note 21 of the Group financial statements.

40 Reserves

The Company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the Group's share option schemes. As at 31 March 2017 the plan held 3,077 shares (2016 - 3,077 shares). The original cost of these shares was £0.003 million (2016 - £0.003 million). The cost of the shares has been charged against the profit and loss account.

41 Operating leases

Non-cancellable operating lease rentals are payable as follows –

	Land and buildings		Other	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Less than one year	**35**	-	**21**	-
Between one and five years	**67**	180	**9**	54
	102	180	**30**	54

During the year £0.060 million was recognised as an expense in the profit and loss account in respect of operating leases (2016 - £0.062 million).

42 Contingent liabilities

The Company has entered into cross guarantee arrangements relating to the bank borrowings of its UK subsidiary operations and a letter of credit in support of the term loan borrowings of the subsidiary operations in India. The maximum obligations under these arrangements at 31 March 2017 was £3.561 million (2016 - £2.391 million).

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

43 Profit and loss account

The profit after tax for the year dealt with in the accounts of the Company amounts to £23.239 million (2016 - loss after tax £0.725 million) which, after dividends of £0.596 million (2016 - £1.821 million), gives a retained profit for the year of £22.651 million (2016 - £1.096 million).

The profit in the year arose principally on the receipt of dividends from subsidiaries.

44 Related parties

The Company has a related party relationship with its subsidiaries (see note 31), its directors and executive officers and the Group pension scheme. There are no transactions that are required to be disclosed in relation to the Group's 60% subsidiary Platform Diagnostics Limited.

Transactions with related parties are set out in note 30 of the Group financial statements.

Remuneration of the Directors, who are considered to be the key management personnel of the Company, is disclosed in the audited part of the Directors' Remuneration Report on pages 38 to 54.

45 Accounting estimates and judgements

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

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

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

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

Pension assumptions

The value of defined benefit pension plan liabilities is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. The Group exercises its judgement in determining the assumptions to be adopted, after discussion with a qualified actuary. Details of the key actuarial assumptions used and the sensitivity of these assumptions are included in note 21.

Recognition of deferred tax assets

Assessment of the deferred tax asset requires an estimation of future profitability. Such estimation is inherently uncertain in a market subject to various competitive pressures. The carrying values of the deferred tax assets and liabilities are included within note 20.

FIVE YEAR SUMMARY

	2017 £000	2016 £000	2015 £000	2014 £000	2013 restated £000
Revenue	**138,282**	118,974	107,503	97,267	86,514
Underlying operating profit	**12,498**	10,034	7,789	6,551	5,585
Non recurring items	**(541)**	(4,857)	(31,668)	(520)	(670)
Profit before financing costs	**11,957**	5,177	(23,879)	6,031	4,915
Net financing charge	**(1,479)**	(1,282)	(666)	(1,260)	(1,698)
Profit before tax	**10,478**	3,895	(24,545)	4,771	3,217
Overseas sales as a percentage of total sales	**70.2%**	66.7%	68.0%	69.1%	73.3%
Underlying operating margin	**9.0%**	8.4%	7.2%	6.7%	6.5%
Net margin	**7.6%**	3.3%	(22.8%)	4.9%	3.7%
Tax rate	**23.7%**	43.8%	7.2%	24.8%	12.7%
Earnings per share	**11.5p**	3.3p	(33.2p)	5.5p	4.3p
Underlying earnings per share	**12.1p**	10.1p	7.9p	6.1p	5.2p
Dividend per share	**0.00p**	0.90p	2.75p	2.65p	2.55p
Non current assets	**80,085**	66,660	66,065	86,686	87,712
Net current assets excluding cash, bank and finance leases	**29,922**	20,211	16,705	12,192	8,784
Net debt	**(26,025)**	(24,750)	(24,518)	(17,680)	(9,178)
Other non current liabilities	**(39,719)**	(29,254)	(16,899)	(6,642)	(22,196)
Total shareholders' funds	**44,263**	32,867	41,353	74,556	65,122
Post tax return on shareholders' funds	**18.1%**	6.7%	(55.1%)	4.8%	4.3%
Gearing (excluding net pensions balance)	**36.5%**	47.7%	48.0%	23.7%	11.9%
Assets per share	**61p**	50p	62p	113p	100p
Capital expenditure as a multiple of depreciation	**1.8x**	2.2x	1.8x	1.9x	2.5x
Average number of employees in year	**1,418**	1,340	1,172	1,112	1,073
Added value per employee	**£38,713**	£32,772	£35,216	£32,059	£31,515

INFORMATION FOR SHAREHOLDERS

(a) Share price history

Share price per 5p ordinary share at close of business 31 March 1982: 11.6p

Calendar year	Low	High	Calendar year	Low	High
2008	47½p	96p	2013	257p	501p
2009	48½p	150½p	2014	85¼p	292½p
2010	133½p	241½p	2015	87p	169¾p
2011	239p	349p	2016	106¾p	169p
2012	287½p	503p	2017 to date	125½p	154¼p

(b) Share price information

FT Cityline telephone number for share price information

For share price information on Carclo call FT Cityline on 0905 8171 690

(c) Further information on Carclo plc

Further information on Carclo plc can be found on the internet at www.carclo-plc.com

Financial calendar 2017/18

Annual general meeting 2017	7 September 2017
Interim report for the half year ending 30 September 2018	14 November 2017
Preliminary announcement of the results for the year ending 31 March 2018	5 June 2018

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

carclo

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