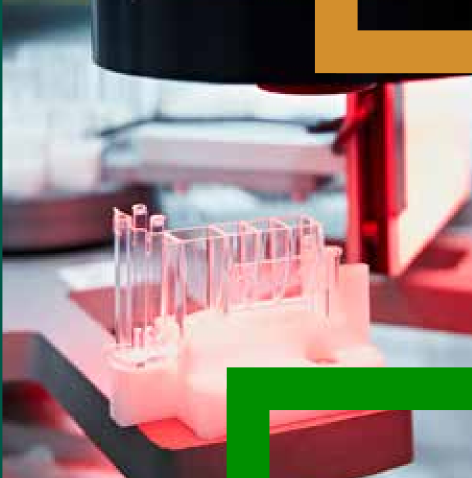
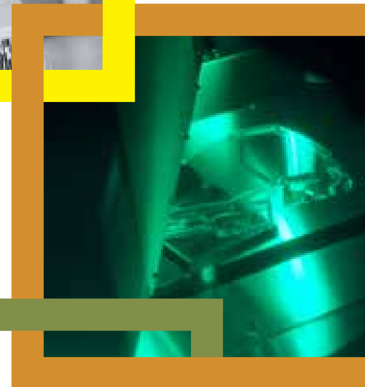
carclo
Annual Report



2018

index

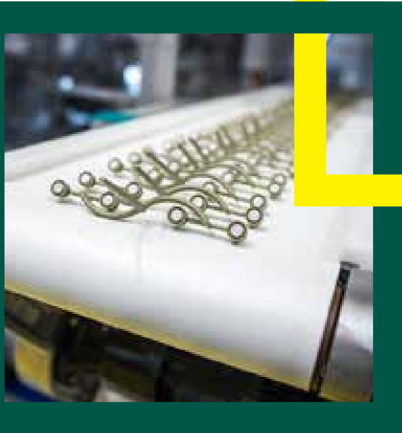
3 CARCLO PLC
4 IN SUMMARY
6 CHAIRMAN'S STATEMENT
STRATEGIC REPORT
9 PRINCIPAL ACTIVITIES, BUSINESS MODEL & STRATEGIC KPIS
12 CHIEF EXECUTIVE'S REVIEW
16 FINANCE REVIEW
20 DIRECTORS' REVIEW OF THE PRINCIPAL RISKS FACED BY THE GROUP
24 SOCIAL RESPONSIBILITY REPORT
26 GLOSSARY
27 DIRECTORS AND ADVISERS
GOVERNANCE
29 CHAIRMAN'S INTRODUCTION
31 DIRECTORS' REPORT
35 STATEMENT OF CORPORATE GOVERNANCE
39 AUDIT COMMITTEE REPORT
41 NOMINATION COMMITTEE REPORT
42 DIRECTORS' REMUNERATION REPORT
60 STATEMENT OF DIRECTORS RESPONSIBILITIES
61 INDEPENDENT AUDITOR'S REPORT
66 CONSOLIDATED INCOME STATEMENT
67 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
68 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
69 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
70 CONSOLIDATED STATEMENT OF CASH FLOWS
71 NOTES ON THE ACCOUNTS
104 COMPANY BALANCE SHEET
105 COMPANY STATEMENT OF CHANGES IN EQUITY
106 NOTES ON THE ACCOUNTS - CONTINUED
112 FIVE YEAR SUMMARY
113 INFORMATION FOR SHAREHOLDERS
113 FINANCIAL CALENDAR 2018/19



global manufacturer

Global contract manufacturer to medical market

Leading designer and manufacturer for premium automotive 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 2018 are summarised below -

Financial Highlights	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Revenue		
Technical Plastics	**89,653**	87,814
LED Technologies	**50,589**	43,419
Aerospace	**5,972**	7,049
Total	**146,214**	138,282
Underlying* operating profit		
Technical Plastics	**6,673**	8,707
LED Technologies	**6,422**	5,885
Aerospace	**747**	1,303
	13,842	15,895
Unallocated	**(3,031)**	(3,397)
Total	**10,811**	(12,498)
Exceptional items	**(904)**	(541)
Operating profit	**9,907**	11,957
Underlying* profit before tax	**9,071**	11,019
Profit before tax	**8,167**	10,478
Basic earnings per share	**11.6p**	11.5p
Underlying* earnings per share	**9.8p**	12.1p
Net debt	**31,476**	26,025
IAS 19 retirement benefit liability	**29,798**	32,503

- Revenue increased by 5.7% to £146.2 million
- Operating profit reduced to £9.9 million from £12.0 million in the previous year
- Divisional underlying* operating profit was £13.8 million (2017 – £15.9 million) and Group underlying* operating profit was £10.8 million (2017 – £12.5 million)
- Profit before tax of £8.2 million (2017 - £10.5 million). Underlying* profit before tax of £9.1 million (2017 - £11.0 million)
- Another encouraging performance by LED Technologies, once again driven by the Wipac luxury and supercar lighting business
- Continuing growth in revenue in Technical Plastics but a reduction in profitability due to programme timing and operational issues
- Well placed to see consistent improvements in profitability and cash generation over the medium-term

*Underlying is defined as before all exceptional items

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.

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.

While this year has been disappointing, the Board remains confident in the underlying strength of the Group and its people to recapture the momentum of recent years and to drive significant value for our shareholders in the coming years."

chairman's statement

Overview

The results for the year ended 31 March 2018 were disappointing. Whilst our customer development activities continued to be strong and our strategy to grow our business and expand our footprint maintained recent momentum, delays in the placement of certain customer project awards and some weaknesses in operational performance, particularly within CTP, meant the Group did not achieve its profit targets. The Group has taken immediate action to improve operational performance and following a full operational review has implemented a significant number of improvements across its operations.

The Group remains focused on growth and its repositioning with its customers as a key partner has created excellent foundations for the coming years. We remain confident that we are in position to support our previously stated long term objectives of increasing underlying operating profit margins and generating an improved return on investment.

The highlights for the year were –

Financial

- Revenue increased by 5.7% to £146.2 million
- Divisional underlying operating profit was £13.8 million (2017 - £15.9 million) and Group underlying operating profit was £10.8 million (2017 - £12.5 million), down 13.5% on the prior year
- Net exceptional charge of £0.9 million (2017 - £0.5 million) related primarily to rationalization costs
- Underlying profit before tax of £9.1 million (2017 - £11.0 million), down 17.7% on the prior year
- Group reported profit before tax of £8.2 million (2017 - £10.5 million)
- Tax credit of £0.3 million (2017 – expense of £2.5 million) largely reflecting deferred tax liabilities reducing following the US tax rate changes
- Underlying earnings per share decreased to 9.8 pence (2017 – 12.1 pence) due to the lower reported profit. Earnings per share increased to 11.6 pence (2017 – 11.5 pence) due to the lower tax charge
- Group capital expenditure was £9.3 million (2017 - £8.2 million excluding items acquired as part of the acquisitions in that year), reflecting our investment strategy to deliver sustainable growth and to increase return on capital over the coming years
- As expected net debt of £31.5 million was higher than the prior year (2017 – £26.0 million)
- The Group's pension deficit net of applicable deferred tax under IAS 19 "Employee Benefits" has decreased to £24.7 million (2017 - £27.0 million)

Strategic and Operational

- In CTP, revenue increased however underlying operating profits and margins were lower than the prior year. Underlying operating profit decreased from £8.7 million to £6.7 million with the operating margin at 7.4%, down from last year's 9.9%. We have continued to increase our geographical footprint during the year with the successful completion of the expansions at Mitcham, UK and Bangalore, India. There is no further expansion planned in the short term as our current facilities now leave the division well placed to grow and support its key customers
- LED Technologies again increased sales and underlying operating profit albeit with a slight decrease in operating margin reflecting our upfront investment in forthcoming production releases. As previously reported, some expected new design project awards were delayed in the year by customers but the business remains well positioned for continued growth. The introduction of some of the larger projects into the product manufacturing stage will lessen the reliance on new project awards and drive scale benefits into the division
- The Aerospace division continues to generate solid profits and cash flows albeit at a lower level than previously due to the completion of a multi-year spares contract in the year

Dividend

The Board is not recommending payment of a dividend. It recognises the need to reward shareholders and for them to participate in the growing profitability of the business. The Board intends to recommence dividend payments when confident 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 made by the business this year.

Board Changes

As announced in January, Robert Brooksbank left the Group to pursue other career and business opportunities at the end of the financial year and the Board would once again like to thank Robert for his significant contribution to Carclo over the 14 years he served as Group Finance Director. We recently announced that Sarah Matthews-DeMers has been appointed to take over this role and she will become Group Finance Director on 18 July 2018. Sarah joins us from Rotork plc where she was Director of Strategy and Investor Relations.

As was also confirmed in January, I will retire as Chairman at the upcoming AGM in July after nearly 6 years in the role and over 12 years on the Board. Mark Rollins, who joined the Board in January 2018, will become Chairman and he has a wealth of experience having been Group Chief Executive of Senior plc for many years and I am sure that he will help drive Carclo forward in the coming years.

Finally Robert Rickman also retired from the Board at the end of December 2017 after nearly 6 years as a Non Executive Director. Robert made a substantial contribution to the strategic direction of the Group and the Board would once again like to thank him for his service.

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 existing and new customers to ensure that they enjoy real benefits accruing from working in partnership with us.

While this year has been disappointing, the Board remains confident in the underlying strength of the Group and its people to recover the momentum of recent years and to drive significant value for our shareholders in the future.

Michael Derbyshire
5 June 2018

strategic report

9 PRINCIPAL ACTIVITIES, BUSINESS MODEL & STRATEGIC KPIS

12 CHIEF EXECUTIVE'S REVIEW

16 FINANCE REVIEW

20 DIRECTORS' REVIEW OF THE PRINCIPAL RISKS FACED BY THE GROUP

22 VIABILITY STATEMENT

24 SOCIAL RESPONSIBILITY REPORT

principal activities, business model and strategic KPIs

Principal activities

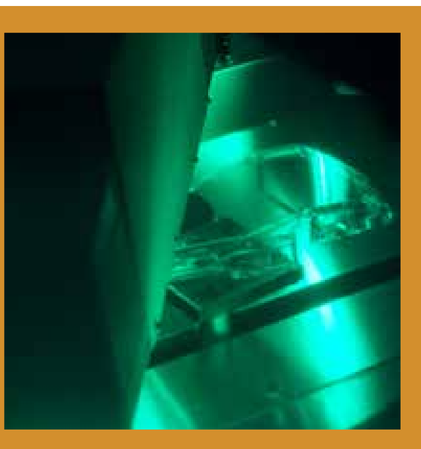
Carclo plc is a public company whose shares are quoted on the Main Market of the London Stock Exchange.

Carclo has two main operating Divisions that manufacture injection moulded components and systems for our international customer base. The Technical Plastics Division is focused on supporting the growing global medical device market and supplies consumables and products for this sector from multiple international manufacturing sites.

The LED Division designs and manufactures assembled lighting systems and components mainly for the premium, luxury and supercar automotive sector. Carclo is operating in growing but competitive markets and aims to be seen by its customers to be innovative, fast moving and more flexible than, mainly larger, competitors. In order to have sufficient resources to be able to develop the skills, innovation and technologies required to support our customers into the future Carclo has being investing in strengthening its scale and capabilities. Our strategy is designed to deliver sustainable growth and a strong financial performance.

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 look to us for innovation in our design and manufacturing processes.

Customer Satisfaction

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

Global Footprint

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

principal activities, business model & strategic KPIs CONTINUED

Responsive Culture

We operate with a flat and decentralised management structure in order to 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 Capital Employed

Definition and method of calculation

Return on capital employed measures the underlying operating profit as a percentage of average capital employed calculated as the average of the opening equity plus net debt and closing equity plus net debt. 2017/18 and 2016/17 include the impact of the acquisitions of Precision Tool and Die and FLTC (Europe) a.s. which were made in 2016/17. The underlying operating profit of and the investment in CIT Technology, Carclo Diagnostic Solutions and Platform Diagnostics have been excluded from this measure in all periods presented following the Group's decision to invest no further in these businesses and in order to give a meaningful benchmark for future comparison. This measure has replaced the previous return on investment calculation as it is believed it is clearer and easier to understand.

Explanation of importance

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

chief executive's review

Overview

Overall the Group delivered a disappointing performance compared to our expectations coming into the year and the results of the prior year. Underlying operating profit was £10.8 million (2017 – £12.5 million) and underlying earnings before interest, tax, depreciation and amortisation ("EBITDA") was £15.8 million (2017 – £17.2 million). This was despite an increase in overall Group revenue to £146.2 million (2017 – £138.3 million), which represented an annual compounded growth rate of 11% over the last five years.

As reported at the interims, the Group faced certain operational challenges within its CTP Division. These were mainly the result of labour shortages impacting efficiencies, exacerbated by a lag in the contractual pass through of resin price increases to customers. These factors impacted operating margins in the first half of the financial year. At the same time, we reported that demand from one of the Group's major non-medical customers for the CTP Division had been significantly below our previous expectation and the performance in the prior year.

In addition, historically strong revenue streams from product design, tooling and customer validation activities across both the CTP and LED divisions, being major contributors to the near doubling of turnover over the last five years, proved less predictable. Customer delays in placing new projects in the second half resulted in lower than expected profit being reported due to the stage of completion of these projects at the year-end. Encouragingly, the Group has subsequently been awarded several of these delayed customer projects across both divisions with all but one of the remaining contracts expected to be awarded in this current financial year.

This performance has exposed weaknesses in operational performance, particularly within CTP, which have been compounded by the validation and production start-up phases on the introduction of new customer programmes.

As reported in January 2018, the Board recognised that there has been an ongoing reliance upon winning new tooling and automation contracts to drive profitability, particularly in Technical Plastics, and that such reliance needs to be mitigated by higher and more sustainable underlying operating margins and cash flows from CTP's existing manufacturing business.

Accordingly, the Group has undertaken a fundamental review of the CTP division, particularly focusing on operating efficiencies and subsequent margins and cash flows. This review was wide ranging and looked at **C**ash generation, **O**perational performance, **M**anagement effectiveness and customer **P**ricing, ("COMP"). The review has generated a clear action plan targeting improvements across the Division in all "COMP" areas.

The results of the review have impacted many aspects of the CTP division. Changes have made to the Divisional leadership team, including the appointment of a new Divisional Chief Executive, and Lean manufacturing principles have been re-introduced. Priority has been given to a continuous improvement philosophy across all CTP sites, recognising that momentum in this area has slowed during recent years, partly due to the distraction of the various site expansions undertaken to meet the high rate of growth in revenues. The COMP action improvement plan is well underway and whilst there will be some early benefits from these improvements in the new financial year, the philosophy of these activities will mean that the benefits will build into future years.

The COMP review and subsequent Lean manufacturing activities have included participation from all of our employees, which has already had a direct positive impact on their motivation, contribution and retention. The Group appreciates that it can only improve its performance with the help of all of its workforce and I thank them for their considerable contribution to this end.

During the year the Group completed the reconfiguration of the CTP footprint with the opening of new production units in Mitcham, UK and Bangalore, India as well as the completion of the first medical production cell in Brno, Czech Republic. These expansions are customer-led and so leave CTP well placed to continue to grow and support its major customers.

Within the LED Division, Wipac constructed a new warehouse on its Buckingham site in order to free up production space in the main factory. This will allow Wipac to continue to move existing design programmes into their production phases. In addition, early in the new financial year, Wipac has entered into a lease for a further office building adjacent to its main site which will be used to accommodate the expanded UK design team. There are no further reconfigurations planned for the coming year and this will aid management's focus on operational improvements.

Whilst I am disappointed by the Group's weaker than expected financial performance during the year, I remain convinced that the changes we have made to the Group over the last five years, and the strategic focus on the targeted growth of our two main Divisions, will deliver a successful future for the Group.

Key Performance Indicators ("KPIs")

Our three primary operational KPIs focus on Return on Capital Employed, revenue growth and improvements in operating margin and these are detailed on page 11. Alongside these KPIs we have a range of other important internal KPIs that cover Overall Equipment Effectiveness ("OEE"), employee retention, health & safety performance, customer satisfaction, delivery performance and cash collection.

Divisional review

Carclo Technical Plastics ("CTP")

Revenues increased by 2.1% to £89.7 million from £87.8 million. Underlying operating profit decreased from £8.7 million to £6.7 million with the operating margin at 7.4%, down from last year's 9.9%.

Over the last 5 years the Division has experienced growth in sales from £58.1 million to £89.7 million, a CAGR of 11.5%. This growth, and the corresponding requirement to expand its footprint has resulted in key sites, most notably the two sites in Pennsylvania, US, struggling to maintain their targeted operating margins.

This issue was exemplified in the first half of the financial year with direct employee turnover becoming unsustainably high. CTP USA's ability to recruit new employees was impacted by strong local labour market conditions. This led to high employee turnover and this, and subsequent new employee induction training, directly impacted our operational efficiencies. CTP USA maintained its headcount at broadly the required levels in the second half of the year, but employee turnover remained much higher than we consider acceptable despite the introduction of a number of employee friendly initiatives. We faced similar issues in our Czech plant but were able to deal with these headcount shortages by the mid-point of the year.

It was evident that our growth and the resultant recruitment of new employees had put a strain on the business and the positive culture that had been the backbone of CTP USA over many years. Steps were taken in January to address this, changing the Divisional Chief Executive and some parts of the local leadership team as part of our focus on the Division's priorities. This was driven by the wider global COMP initiative of which there were four major elements:-

- A Cash initiative focussed mainly on working capital management. This included a review of contracted customer and vendor commitments, inventory turnover and supply chain efficiency. The cash generation benefits of this initiative are already being delivered with further benefits forecast to become evident throughout the current financial year and beyond.

- Operational Excellence has historically been the backbone of our operational culture. The growth in both customer revenues, and consequently our workforce over recent years, has meant that improvements in performance had slowed and consequently our continuous improvement culture had diminished. The reintroduction of Lean manufacturing and Continuous Improvement principles is now underway. Our investment in this area and the inclusion of all of our employees in the concepts of COMP and Lean manufacturing is already having a major positive cultural impact, such as significantly reduced labour turnover in a short period, and we are seeing the benefits across the Division. We have externally trained over forty employees in concepts of Lean manufacturing since we introduced the COMP initiative. This training has taken place across several of our locations with more training to follow early in the current financial year encompassing all sites.

- Management - The COMP review resulted in the decision to appoint a new Divisional Chief Executive towards the end of the financial year and to create a new role of Divisional Continuous Improvement Director, which has been filled subsequent to the year-end. Further changes in management were made across certain sites as we prioritised our Lean objectives and sought to reinvigorate our operations.

- Pricing - A review of key customer and product margins has been undertaken and a number of price changes have been successfully implemented where pricing was deemed to have fallen below "market" levels. Further actions are planned as we renegotiate several older contracts. The full impact of these changes will not be felt until 2019/20 due to contract renewal timings.

As we enter the current financial year, our focus is to improve our operating margins through manufacturing initiatives and subsequent efficiency improvements. We have action teams reporting weekly on performance improvements which are primarily centred around Overall Equipment Effectiveness ("OEE") improvements, scrap reduction, labour productivity, automation projects and Setup Time Reduction ("SMED") projects.

At both the end of the first half of the financial year and at the year end, we experienced delays in the placement of large design, validation and tooling projects. Towards the end of the financial year four large programme awards for existing medical device customers slipped in timing versus our forecasts. The largest of these programmes was placed just prior

to year-end and the second largest, which relates to the second phase of an existing programme has been deferred from January 2018 to later in the current financial year due to delays in the customer expanding its own assembly capabilities. The two smaller programmes were placed at the start of the current financial year. The level of validation and tooling revenues is a variable and relies on a combination of customer asset replacement programmes as well as new business development; these are rarely known with accuracy as we enter new financial periods and therefore forecasting is difficult.

At the start of the financial year, the Division experienced increases in the price of plastic resins, particularly specialist engineering grades. In part, these resin price increases were due to production shortages in the USA following Hurricane Harvey. Our customer contracts contain pass through formulas for resin price changes but there is an inevitable delay in passing on some of the increases, particularly for some of the longer standing contracts. All such major customer contracts have subsequently been renegotiated so that pass throughs are processed more quickly in the event of these kind of exceptional circumstances occurring.

Market demand for our products within the medical sector has remained strong. There have been no changes to our target market; we continue to see customers taking a global outlook and our international footprint continues to meet their aspirations. As reported last year, we have focussed on improving the capabilities of our Czech facility to better meet the medical market and earlier this year we secured our first large new medical business contract which will move into production mid-way through the current financial year. The Mitcham, UK extension was opened early in 2018 and production for the Becton Dickinson ("BD") Vystra program commenced on time.

Our Bangalore, India operation has a high dependence on a major non-medical customer and this, along with other, mainly Czech, non-medical customer programmes generated weak and unpredictable demand during the year. Whilst we do not intend to exit profitable non-medical business, we continue to recognise that medical programmes offer greater longevity and stability and our strategy remains to increase the proportion of medical work over the longer term. The extension of our Bangalore factory was completed earlier in the year. Whilst this will provide some growth capabilities for our existing major customer in India, more significantly it allows CTP India to begin to develop opportunities in the Medical sector supported by a facility that meets the needs of this market.

The Taicang, China operation met its objective of becoming profitable during the year as we scaled up production for our main medical customer and commenced production for several other global medical accounts. We remain committed to growing our revenues and profits in this region and are confident that we have good growth opportunities in this market, demonstrated by multiple opportunities in our sales pipeline. Some current customer uncertainty around the possible US-China trade dispute is impacting the speed of decision making.

Since we acquired our Derry, New Hampshire, operation (previously known as PTD) in October 2016, we have successfully integrated the business into our larger US operation and focussed on the development of key customers whilst exiting certain customer programmes that did not match our strategy. During the year we also secured multiple tooling programs from the wider Division and processed these tool builds through the Derry operations, realising improved margins from internal manufacture [chronological order]. Our first large synergistic opportunity was secured early in the current financial year, through securing high volume business for our wider operation from an existing Derry customer.

CTP has had a very challenging year. However, the actions we have taken are already having a positive impact on the Division's financial performance. The focus in the current financial year is on improving operating margins and creating a revitalised continuous improvement culture in order that we are better prepared for our next phase of growth.

LED Technologies including Wipac

Revenue grew from £43.4 million to £50.6 million during the year. Underlying operating profit increased to £5.9 million to £6.4 million with the operating margin reduced from 13.6% to 12.7%.

During the financial year we saw slower than anticipated production ramp up on vehicle manufacture from some of the smaller customers we work with. In addition one higher volume vehicle did not match the prior year volumes, leaving the Division more dependent upon revenue from new design programmes than anticipated at the start of the year. Consequently there was reduced scope to deal with unexpected slippages in placement of new design contracts. In January we reported that three new Wipac design and development contracts had been delayed, thereby reducing the Division's anticipated profit for the year. The first of these was awarded just prior to the year-end and we anticipate that the second will be awarded at the end of the first half of the current financial year; Wipac is supporting the project via an extended funded pre-design contract with the customer, ensuring that we remain well placed to receive the eventual programme award. The third project is unlikely to be awarded to Wipac due to a change in the customer's cost aspirations which are incompatible with Wipac's business model.

Our strategic objective has been to build a manufacturing business with significantly improved sales value for lighting systems. This reflects our recognition that the existing manufacturing business lacked scale and that a disproportionate amount of margin was earned from design and tooling phases. Wipac has significant capabilities and robust enough systems in place to handle significant growth. This growth is complex and demanding and margins generally only settle at targeted levels once production ramp ups have fully taken place.

This strategic shift has taken over three years to implement. However Wipac is now set to benefit from a large increase in the number of new vehicle programmes moving into production during the current financial year. Validations and pre-production build stages on a number of these programmes took place in the financial year, incurring costs ahead of corresponding revenue to be received in the current year.

Whilst validation work has gone well, our reliance on external vendors for both production tooling and certain metallisation services has put strain on Wipac's technical teams. In order to support this, and in preparation for further production validation and launches, we invested in engineering and support services at an accelerated rate during the year versus our long term plan, again putting pressure on margins. We expect to have completed some of the more complex programme production introductions relatively

early in the new financial year which should enable us to balance our resources more in line with our prior planning moving forward.

Overall the market demand for supercars and luxury cars has been much as expected. Our revenue per vehicle varies depending on such factors as the number of lamps per vehicle, lamp complexity and size. Two of the vehicles on which Wipac generates high values per vehicle did not sell in their end markets at the expected levels during the financial year. While in part mitigated by Wipac sales to lower value vehicles from the same customers this, together with slower production ramp ups from certain customers, resulted in Wipac's overall product sales values being behind our original forecasts. As we have learned more about the trends in our customer base, we have factored these into our planning.

Our acquisition of FLTC in March 2017 was well timed and the acquired business, now Wipac Czech, has made an excellent contribution to our technical resource availability.

The strategic move into the medium volume sector (over 10,000 vehicles per year) has resulted in the number of customer RFQ's (Request for Quotation's) increasing over prior years. We have been careful to only consider opportunities that met our commercial targets and we declined several opportunities during the year which, while delivering short term profit benefits, would not have served us well in the longer term.

Of the three pre-existing medium volume programmes, two will enter into production during the coming months and the largest by the summer of 2019. Once the latter program enters production, our manufacturing cell will act as a showpiece for similar high value projects as the production lines will be at the leading edge of the industry. This should open up further possibilities with other potential customers in this volume sector.

As disclosed last year, Wipac has constructed a new warehouse on its existing site to alleviate storage capacity shortfalls and to allow a transfer of warehousing from the main factory building to free up further production space. In addition we have now entered into a lease of a nearby office and warehouse building and will establish a design centre on this site. The majority of space that we have created will be consumed by programmes currently under design and over the coming years we will need to explore further growth options. In this light we have obtained planning permission to extend our main factory; however, lower cost options will be considered prior to any commitment being made and such expansion will be undertaken only as programme awards are made beyond our footprint capability.

Our traditional supercar and luxury market has continued to perform in line with our strategic expectations. Modest increases in model ranges continue and we have maintained our position in key customer groups. Several newer customers are running behind their own growth plans or are using carry over lights from prior models to limit investment costs and we have captured these changes in our forward planning.

There are a number of new automotive companies entering the market with plans to launch electric and autonomous vehicles. This represents an opportunity for Wipac as the likely volumes are typically in our targeted range. The trend for autonomous vehicles is to have integration of sensors into lights and also to have additional lighting used for camera systems. Whilst this may see an eventual evolution of lighting use and design in the automotive market, it is not seen as a threat to the use of stylised lighting.

Wipac is continuing to invest in technologies that are suited to its end markets. The technologies demanded by our customers are focussed on higher resolution smart LED lights and this is the area of our developmental focus. Overall, Wipac remains very well positioned to grow in line with its strategic aims of increasing sales of manufactured lamps as well as continued growth of design contracts.

As with last year, the other businesses within LED Technologies, Optics and Aftermarket, reported modest growth in sales and constant operating margins. The move of optics manufacturing from Wipac to CTP Czech Republic has been successful and whilst this move was disruptive in the year and resulted in some unforeseen costs, margins returned to normal levels towards the end of the year as validations completed and production stabilised.

Aerospace

Revenue decreased from £7.0 million to £6.0 million and underlying operating profits reduced to £0.7 million from £1.3 million the prior year. Overall the spares market for our product range was depressed in both the UK and French markets. Serveral of the prior years included sales for a one-off machined component upgrade for a current build aircraft. However this contract was completed at the end of the last year; whilst new production build parts have been secured, these new programmes only commenced part way through the year resulting in lower overall sales. The remaining contracts and spares activity in the business are more regular and more long term in nature such that the business overall is stable at these levels.

Board Changes

As previously announced, Michael Derbyshire has decided to retire as Chairman after nearly 6 years in this role and a total of over 12 years on the Board. I would like to thank Michael for his leadership and guidance during this time. I am confident that Mark Rollins will be a strong successor as Chairman.

Robert Brooksbank also left the Group at the end of the financial year and I thank him for his service to the Group. We have now appointed Sarah Mathews-DeMers as new Group Finance Director and I look forward to her positive contribution.

Conclusion

The Group's performance for the year was below our expectations. Whilst much of this reflected delays in the placement of new design, validation and tooling contracts, we nonetheless recognise that our operational performance within CTP has not been at the level we had predicted. We have reviewed our CTP operations and are tackling these issues and making good progress, at the same time creating a continuous improvement environment that will stand us in good stead for the future.

Our strategy to expand our footprint and increase revenues in CTP to reduce operational gearing and attract a high quality and growth orientated customer base and to transform Wipac into a larger solution provider for lighting systems for the low to mid volume premium automotive sector is well developed. Much of the heavy lifting in terms of investment and customer engagement is now complete. Accordingly I believe we are well placed to see consistent improvements in our profitability and cash generation over the next few years.

Chris Malley

5 June 2018

finance review

Trading performance

	2018 £million	2017 £million
Revenue	146.2	138.3
Divisional underlying* operating profit	13.8	15.9
Unallocated costs	(3.0)	(3.4)
Underlying* operating profit	10.8	12.5
Exceptional items	(0.9)	(0.5)
Net bank interest	(0.9)	(0.7)
IAS 19 net financing charge	(0.8)	(0.8)
Underlying* profit before tax	9.1	11.0
Profit before tax	8.2	10.5
Income tax credit / (expense)	0.3	(2.5)
Profit for the year	8.5	8.0
Divisional underlying* operating margin from continuing operations	9.5%	11.5%
Basic earnings per share	11.6p	11.5p
Underlying* earnings per share	9.8p	12.1p

*underlying profit is defined as before all exceptional items

Group revenue in the year ended 31 March 2018 was £146.2 million (2017 - £138.3 million). The 5.7% increase reflects revenue growth in both Technical Plastics ("CTP") and LED Technologies ("LED"). CTP reported revenues of £89.7 million (2017 - £87.8 million), benefitting from a stronger performance in the second half of the year as expected. LED reported revenues increased to £50.6 million (2017 - £43.4 million) with continuing good growth in its supercar lighting business. The Aerospace division saw revenue decrease to £6.0 million (2017 - £7.0 million) reflecting the end of a multi-year spares contract in the year.

Divisional underlying operating profit was £13.8 million (2017 - £15.9 million) and Group underlying operating profit was £10.8 million (2017 - £12.5 million). Unallocated costs were £3.0 million (2017 - £3.4 million) and this included head office administration costs and expenditure relating to the administration of the Group Pension Scheme, which totalled £0.7 million (2017 - £0.6 million). The decrease in unallocated costs was due in part to lower amounts charged in respect of the Group's short term incentive plan reflecting the higher level of Group profitability in the prior year.

Group profit before tax was £8.2 million (2017 – £10.5 million).

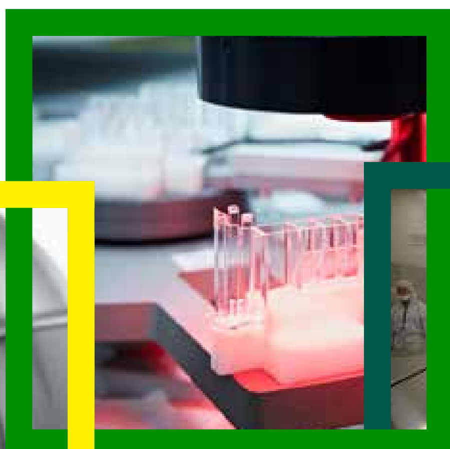
The total net exceptional charge of £0.9 million (2017 - £0.5 million) primarily reflects property costs relating to previously exited facilities and rationalisation costs in respect of changes in management at Group and divisional level.

Net bank interest was £0.9 million (2017 - £0.7 million) and this reflects the Group's higher average debt during the year as well as higher average rates of interest. The IAS 19 "Employee Benefits" ("IAS 19") net financing charge was unchanged at £0.8 million (2017 – £0.8 million) with the pension deficit as at 31 March 2018 being broadly in line with that at 31 March 2017.

The Group reported a tax credit for the year of £0.3 million (2017 – charge of £2.5 million). The most significant effect on the tax credit was the introduction of the lower tax rates in the US leading to a £2.0 million reduction in the value of deferred tax liabilities. Adjusted for this and the effect on the tax charge of exceptional items the underlying tax charge is 20.6% (2017 – 23.7%).

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 9.8 pence (2017 – 12.1 pence).



finance review CONTINUED

Net debt and gearing

*Underlying is defined as before all exceptional items

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

	2018 £million	2017 £million
Underlying cash flow*	7.7	10.0
Interest and tax	(2.6)	(2.9)
Capital expenditure	(9.1)	(8.1)
Free cash flow	(4.0)	(1.0)
Pension payments	(1.2)	(1.2)
Non-recurring	(0.2)	0.6
Proceeds from issue of share capital	-	7.7
Equity dividends	-	(0.6)
Acquisition of subsidiaries	-	(5.7)
Cash flow relating to corporate activities	(0.3)	(0.2)
Development expenditure	-	(0.1)
Foreign exchange movement	0.2	(1.0)
Increase in net debt in year**	(5.5)	(1.3)

Group net debt increased to £31.5 million at 31 March 2018 (2017 - £26.0 million). This represents gearing of 41.0% (2017 – 36.5%) excluding the net pension deficit. Operating cash generation before working capital movements was £13.5 million. The growth of our business resulted in a £7.3 million increase in working capital, particularly relating to design, development and tooling programmes across the Group. The Group's net debt to Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") ratio as at 31 March 2018 was 1.99x (2017 – 1.52x), our medium term target remains 1.5x and we expect to achieve that by the end of the current financial year.

Group capital expenditure in cash terms was £9.1 million (2017 - £8.1 million), representing 196% of the total Group depreciation charge (2017 – 180%). The largest part of capital expenditure (£6.1 million) was incurred in CTP with the most significant proportion being the expansion of our Mitcham, UK production site for a key customer programme. In LED, our Wipac business also saw significant investment in production equipment as we reconfigured our plant towards the new medium volume programmes and added warehousing space to suppor the increased activity in this business.

Pension contributions of £1.2 million (2017 - £1.2 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 £0.7 million (2017 - £0.6 million).

Non-recurring cash flow of £0.2 million (2017 – £0.6 million) primarily represents property costs relating to unused buildings

Financing

At 31 March 2018 the Group's net debt was £31.5 million (2017 - £26.0 million). The Group had total bank facilities of £46.0 million, including medium term multi-currency revolving loan facilities totalling £30.0 million, of which £29.3 million was drawn as at 31 March 2018, and which expire in March 2020. The Group also has overdraft facilities totalling £16.0 million which we would expect to be renewed in the normal course of business. 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. Following the year-end the Group agreed a short term overdraft increase of £2.0 million and asset financing of £1.9 million in order to provide additional headroom until several significant Wipac design, development and tooling contracts start generating cash in the second half of 2018.

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 comfortable level of headroom on both of these covenants at 31 March 2018.

Pensions

	2018 million	2017 million
Defined benefit obligation at the end of the year	£199.9	£209.4
Fair value of scheme assets at the end of the year	£170.1	£176.9
Net liability for defined benefit obligations at the end of the year	£29.8	£32.5
Net liability for defined benefit obligations at the end of the year net of related deferred tax	£24.7	£27.0
Discount rate at 31 March	2.70%	2.60%

As at 31 March 2018, the Group Pension Scheme had an IAS 19 "Employee Benefits" ("IAS 19") deficit of £24.7 million net of deferred tax (2017 – £27.0 million). This compared to a net deficit of £24.8 million as at 30 September 2017. The defined benefit pension liability decreased during the year to £199.9 million (2017 - £209.4 million), due in part to an increase in the discount rate to 2.7% (2017 – 2.6%) used to discount the liability reflecting an increase in corporate bond yields. The fair value of the plan assets decreased to £170.1 million (2017 - £176.9 million) with the majority of the Scheme's investments held in diversified growth funds and liability driven investments.

The cash cost of the Pension Scheme was £1.9 million during the financial year and this included Scheme administration costs of £0.7 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 £1.2 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 will be as at March 2018 and this will be followed by discussions with the Scheme trustees with the aim of agreeing a revised recovery plan later this financial year.

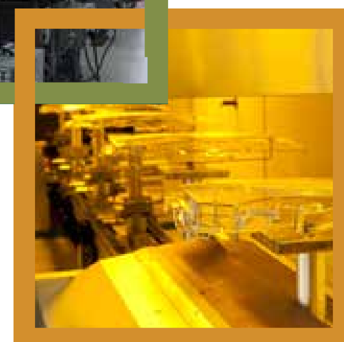
At 31 March 2018, Group properties with a net book value of £6.0 million were subject to a registered charge in favour of the Group Pension Scheme.

Dividend

The Board recognises the need to reward shareholders and for them to participate in the growing profitability of the business. Accordingly it intends to recommence dividend payments when it becomes confident that a sustainable and regular dividend can be reintroduced.

Richard Ottway

5 June 2018



directors' review of the principal risks faced by the group

The Board is responsible for determining the nature and extent of the risks it is willing to take in delivering the Group's strategy as set out on pages 21 to 22. The Board undertakes risk management to improve understanding of the actual and potential risks to our business as well as its resilience, performance, sustainability and success, to enable it to assess and respond to new opportunities as they arise and to provide fair and balanced information to shareholders and potential shareholders.

The Board is responsible for creating the framework for the Group's risk management to operate effectively. This risk management framework includes risk assessment, response, communication and governance. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

When assessing risk the Board considers both external (arising from the environment in which we operate) and internal factors (arising from the nature of our business and its internal controls and processes.

Management takes ownership of the specific risks with the likely causes and effects recorded within the risk register regularly maintained and challenged at site level. The risks are scored based on likelihood and severity to enable the significant risks to be readily identified and the appropriateness of mitigations considered.

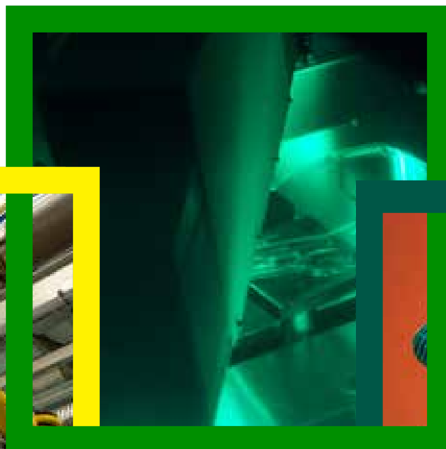
During the year all the key risks identified by the sites were evaluated with the fifteen highest scoring risks reviewed in detail at the Group Steering Committee. This Committee then proposed the risks that it considered key to the running of the business for evaluation at the Main Board meeting.

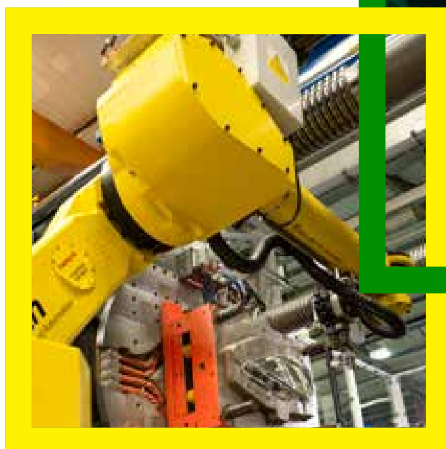
At the Main Board meeting a comprehensive review of effectiveness that included consideration of the continued effective integration of risk management and internal controls with the corporate strategic objectives and business model, changes to and completeness of the principal risks and their management, the robustness of the embedded risk management processes and culture and any significant control failings or weaknesses was undertaken.

The responsibilities of the Audit Committee are explained on pages 39 and 40. These responsibilities include the reviewing of the Group's risk management systems. These are primarily designed to mitigate risk down to an acceptable level, rather than completely eliminate the risk, and the review can provide only reasonable and not absolute assurance of effective operation, compliance with laws and regulations and against material misstatement or loss.

The Group's management is responsible for the identification, assessment, management and monitoring of risk and for developing, operating and monitoring the system of internal control. The Audit Committee receives reports from management on the effectiveness of those systems it has established.

Listed below are the most significant risks that may affect our business, although there are other risks that may occur and impact the Group's performance.





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 and other overseas trade issues such as US trade tariffs and the current political conflict with Russia 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 when the UK exits 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 48.3% (2017 – 47.5%). One medical customer accounted for 17.6% of revenues (2017 – 16.4%) and one supercar customer accounted for 16.2% of revenues (2017 – 14.7%). 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 recent years 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.

Reliance on major projects

Carclo is reliant on the timing of and completion of longer term tooling and manufacturing contracts as awarded by our customers. Whilst Carclo has a strong track record of securing these contracts – delays can affect profit recognition (in respect of which financial year it relates to) and related cashflows – particularly with higher volume customers typically paying the cost of product tooling over the initial production schedules.

We attempt to mitigate these risks by working closely with our customers and suppliers and have a strong history of completing our parts of projects on a timely basis.

Funding and banking covenants

Medium term committed bank facilities have been agreed which include a number of financial covenants which are normal for facilities of this type. Whilst there is 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.

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 £170.1 million at 31 March 2018 (2017 - £176.9 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. 2.70% to 2.45%) would increase the scheme liabilities by 3.50% i.e. £7.0 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. £3.8 million. An increase in life expectancy of 1 year would increase the scheme liabilities by 3.6% i.e. £7.2 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 development of an investment strategy that seeks to mitigate risk (utilising diversified growth funds and liability driven investments) has restricted volatility and this is expected to continue.

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

In addition the Group and the trustees continue to explore liability management possibilities (including Enhanced Transfer Values) with assistance from our advisers. These are designed to allow certain members to leave the scheme which reduces the uncertainty for the Group.

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 taking place as 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 22 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 and maintains up to date antivirus solutions. In addition IT management perform 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 ("DR") procedure assisted by a third-party support company, Daisy. DR tests are performed annually and a successful test was performed in February 2018. As part of a rolling programme for IT improvements, a proof of concept solution is being built that will reduce our dependency on tape backups and improve response time should a DR event occur. Once proven this solution will replace the requirement for Daisy and shorten a DR events downtime. The same DR solution will improve business continuity for the finance system. Working with our communications partners we are replacing our MPLS network over the coming year to improve network resilience and increase network bandwidth.

Going concern and viability statement

The Board has performed a robust assessment, including review of the budget for the year ending 31 March 2019 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 28 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 2023 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 has 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 current 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 2018 29% of our employees identified as female (2017 - 29%). The proportion of women in senior management positions amounted to 10% (2017 – 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 regularly recruit apprentices. 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 steering 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. This year we completed the building of a dormitory for the mentally handicapped leading to our local director receiving an India CSR Professional of the Year Award for making an outstanding contribution to the field of Corporate Social Responsibility and Social Development.

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 2018 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 2017 to 31 March 2018	**Location-Based Methodology**	**Market-Based Methodology**
Emissions from:		
Combustion of fuel and operation of facilities (tCO2e)	1,323	1,323
Electricity purchased for own use (tCO2e)	21,436	23,349
Total (tCO2e)	22,759	24,672
Intensity ratio (tCO2e per £1 million of revenue)	155.7	168.7

Year on year comparison – location based methodology	**2018**	**2017**	**Percentage Change**
Emissions from:			
Combustion of fuel and operation of facilities (tCO2e)	1,323	1,517	(12.8%)
Electricity purchased for own use (tCO2e)	21,436	20,299	5.6%
Total (tCO2e)	22,759	21,816	4.3%
Group revenue (£ million)	146,2	138.3	
Intensity ratio (tCO2e per £1 million of revenue)	155.7	157.8	(1.4%)

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

5 June 2018

glossary

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

directors and advisers

Directors

* Michael Derbyshire - chairman
Christopher Malley - chief executive
* + Peter Slabbert
* David Toohey
* Mark Rollins

* non executive
+ senior independent director

Secretary

Richard Ottaway

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone 0371 384 2249

Corporate Brokers

Peel Hunt
Moor House
120 London Wall
London
EC2Y 5ET

External auditors

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Tax advisers

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

Bankers

HSBC Bank plc

Solicitors

Addleshaw Goddard
3 Sovereign Square
Sovereign Street
Leeds
LS1 4ER

Registered office

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

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

Registered Company Number: 196249

governance

29 CHAIRMAN'S INTRODUCTION

31 DIRECTORS' REPORT

35 STATEMENT OF CORPORATE GOVERNANCE

39 AUDIT COMMITTEE REPORT

41 NOMINATION COMMITTEE REPORT

42 DIRECTORS' REMUNERATION REPORT

60 RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENT

61 INDEPENDENT AUDITOR'S REPORT

chairman's introduction to corporate governance

The statement of corporate governance practices set out on pages 35 to 59, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of Carclo plc.

Dear Shareholder

On behalf of the Board, I am pleased to present Carclo plc's Corporate Governance Report for the year ended 31 March 2018. This report seeks to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties and apply the principles of good governance set down in the UK Corporate Governance Code ('the Code').

Throughout my time on the Board having joined as a Non Executive Director in 2006 and becoming Chairman in 2012, I have observed the Board's commitment to maintaining the highest standards of corporate governance throughout the Group. The Board is fully supportive of the principles laid down in the Code and continues to review its systems, policies and procedures that support the Group's sustainability and governance practices.

We acknowledge that good governance is fundamental to the success of the Group and it is woven into the strategy and decision-making processes throughout the business. The tone from the top is cascaded from the Board to the Executive Team and out to the business. The composition of the Board is routinely assessed to ensure that we have a diverse balance of skills, experience and knowledge required to achieve our strategic goals. Board succession planning is an important element of our corporate governance regime and rigorous procedures are in place to attract, assess and develop Board and Executive Team talent.

The Board embraces widening diversity in terms of background, ethnicity, age, experience, gender and perspective and it ensures that all appointments are made on merit alone.

As in prior years, an internal evaluation of the Board and each of its Committees has been undertaken. The conclusions from the evaluation confirmed that the Board continues to function effectively as a whole and in Committee, and that all Directors properly discharge their duties. The Board also identified areas to focus on improvement in the coming year. In line with best practice, consideration is being given to undertaking next year's evaluation using an external consultant.

As in previous years all directors are proposed for election or re-election at each Annual General Meeting of the Company. At this point I will be retiring from the Board but I am convinced that my successor, Mark Rollins, will continue to drive the Board's commitment to maintaining the highest standards of corporate governance throughout the Group.

We remain cognisant of the strong relationship between ethics and governance and the role the Board plays in demonstrating ethical leadership. Further information on ethics is contained in our Social Responsibility report on pages 24 to 25.

We operate a clear line of distinction between management led by the Chief Executive, who is responsible for the day to day running of the business, and the Board, acting under my leadership, which provides constructive challenge to management ensuring an open culture of debate that contributes to creating and preserving value for our shareholders.

Our Corporate Governance Report is set out on pages 35 to 59, and incorporates the Audit Committee Report on pages 39 to 40, the Nomination Committee Report on page 41 and the Directors' Remuneration Report on pages 42 to 59.

This section of the Annual Report sets out how we manage the Group and comply with the provisions of the Code. Our Statement of Compliance with the UK Corporate Governance Code is set out on page 35.

Details of the Annual General Meeting to be held on 19 July 2018 are included in this report and I look forward to meeting shareholders at that meeting.

M Derbyshire
Chairman

directors' report

The Directors' report is required to be produced by law. Pages 31 to 34 inclusive (together with the sections of the Annual Report incorporated into these pages by reference) constitute a Directors' report that has been drawn up and presented in accordance with applicable law. The Directors' report also includes certain disclosures that the Company is required to make by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and Listing Rules.

Strategic report

The Strategic report required by the Companies Act 2006 can be found on pages 9 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 9 to 25 and the Chairman's statement on pages 6 to 7 together comprise the 'management report'.

Statement of Corporate Governance

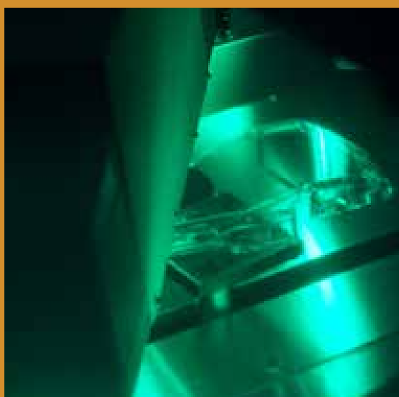
The Statement of corporate governance on pages 35 to 38 provides the corporate governance statement required by Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 7.2.1). The Statement of corporate governance forms part of this Directors' report and is incorporated into it by cross-reference.

Profits and earnings

The profit of the Group before taxation after charging net interest of £1,740,000 (2017 – £1,479,000) amounted to £8,167,000 compared with a profit of £10,478,000 for the previous year. After taxation the profit per ordinary 5 pence share was 11.6 pence compared with a profit of 11.5 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 2018, the Company's issued share capital comprised 73,286,918 ordinary shares of 5p each. Details of the changes in issued share capital during the year are set out in Note 26 to the accounts. The information in Note 26 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 or by the articles of association, 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 a general authority at the 2017 annual general meeting (the "2017 AGM") to allot shares in the capital of the Company up to an aggregate nominal value of £1,216,794 (representing approximately 33% of the issued share capital prior to the 2017 AGM). This authority is due to lapse at the annual general meeting in 2018 (the "2018 AGM"). At the 2018 AGM, shareholders will be asked to grant a similar allotment authority.

The directors were also empowered at the 2017 AGM to allot shares for cash on a non pre-emptive basis in any circumstances up to a maximum aggregate nominal amount of £182,519 and to allot shares for cash on a non pre-emptive basis up to a further maximum aggregate nominal amount of £182,519 in connection with acquisitions or specified capital investments as permitted by investor guidelines. In each case, the maximum aggregate nominal amount represented approximately 5% of the issued share capital prior to the 2017 AGM. These powers are also due to lapse at the 2018 AGM when the directors will seek similar powers to disapply pre-emption rights in limited circumstances.

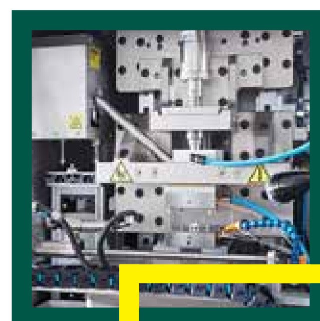
At the 2017 AGM shareholders gave authority to the directors to purchase up to 10% of the Company's issued ordinary shares in the market. No ordinary shares in the Company were purchased during the year under this authority which will expire at the 2018 AGM. The directors will ask shareholders to renew the authority at that meeting.

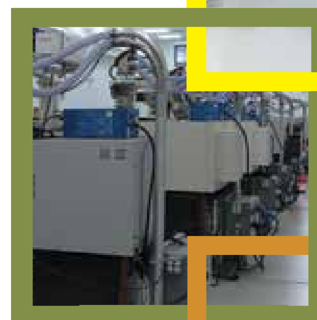
Change of control

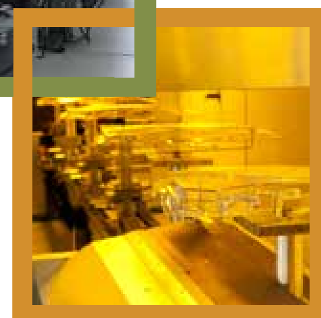
There are no significant agreements to which the Company is a party that take effect, alter or terminate on a change of control following a takeover bid, nor are there any agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

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.







directors' report CONTINUED

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 or her appointment and such director is eligible to offer him or herself 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.

Political donations and expenditure

No political donations were made nor political expenditure incurred during the financial 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 28. 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 the dates set out below -

	31 March 2018	10 May 2018
Aberforth Partners LLP	12.8%	12.8%
Schroder Investment Management Limited	11.0%	11.1%
Janus Henderson Investors	9.8%	9.8%
Cavendish Asset Management Limited	4.5%	4.5%
BMO Global Asset Management	4.3%	4.4%
Hargreaves Lansdowne Asset Management Limited	3.7%	3.8%
Redmayne-Bentley LLP	3.7%	3.7%
NFU Mutual Insurance Society	3.4%	3.7%

Directors and directors' interests

The directors at the date of this Directors' report are listed on page 27. Robert Rickman retired from the Board as a non executive director on 31 December 2017. Robert Brooksbank resigned from the Board as finance director on 31 March 2018. No other person served as a director of the Company at any time during the financial 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 42 to 59.

Biographies of directors

Michael Derbyshire

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 and will be retiring from the Board at the end of the 2018 AGM.

Sarah Matthews-DeMers

Will join the Group on 18 July 2018 as finance director after leaving Rotork plc where she is Director of Strategy and Investor Relations. Prior to that she was Associate Group Finance Director at Avon Rubber plc where her responsibilities included corporate reporting, investor relations, treasury, tax, M&A and post-transaction integration. During her time at Avon, she spent a period as Interim Group Finance Director.

Chris Malley

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.

Mark Rollins

Joined the Group as a non executive director on 1 January 2018 and became chairman of the Remuneration Committee at that point. He is currently Senior Non Executive Director of Tyman plc and Non-Executive Chairman of Sigma Precision Components UK Limited. Previously he was Group Chief Executive of Senior plc from March 2008 to June 2015. He is a Chartered Accountant and joined Senior plc from The Morgan Crucible Company plc as a Division Finance Director in March 1998 and was appointed Group Finance Director in July 2000. He will become Chairman at the conclusion of the 2018 AGM.

Peter Slabbert

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

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

The Company's articles of association permit the Company to indemnify any director or any director of any associated company against any liability pursuant to any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision, or on any other lawful basis. The indemnity provisions entered into by the Company in favour of all the directors were in force during the year and continue to be in force at the date the Directors' report is approved. The Company also 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 the indemnity provisions.

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.

By order of the Board

Richard Ottaway
Secretary

5 June 2018

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 2016 UK Corporate Governance Code (the "2016 Code") issued by the Financial Reporting Council. The Company continues to maintain and review its systems, processes and policies to support its sustainability and governance 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 took 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. We have been mindful to consider how we comply not just with the principles of the Code but also the spirit of the Code and our report below reflects this assessment.

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. One non executive director retired from the Board on 31 December 2017. One non executive director was appointed to the Board on 1 January 2018. One executive director resigned from the Board on 31 March 2018. 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 34.

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

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

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

The Board meets regularly (at least nine times each year) and there is contact between meetings to progress the Company's business. During the year attendance by directors at meetings of the Board and the various Committees is set out below.

	Board Meetings		Remuneration		Audit		Nomination	
	No.	No.	No.	No.	No.	No.	No.	No.
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
MJC Derbyshire	11	11	4	4	4	4	4	4
P Slabbert	11	11	4	4	4	4	4	4
RJ Rickman	7	7	2	2	2	2	1	1
D Toohey	11	11	4	4	4	4	4	4
CJ Malley	11	11	-	-	-	-	-	-
RJ Brooksbank	11	10	-	-	-	-	-	-
M Rollins	4	4	2	2	2	2	3	3

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 2018 financial year the visits were made to the LED Technologies facility in Buckingham, the Technical Plastics facility in Mitcham and the Technical Plastics facility in Brno.

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.

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 2018/19, 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 four times 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 four times during the year and was chaired by R Rickman until his retirement and by Mark Rollins since his appointment. 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 42 to 59 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.

statement of corporate governance CONTINUED

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

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

The Audit Committee assists the Board in observing its responsibility for ensuring that the Group's financial systems provide accurate information which is properly reflected in the published accounts. It reviews half year and annual accounts before their submission to the Board and reviews reports from the internal auditors and computer department. The Audit Committee report is set out on pages 39 to 40.

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 Steering Committee

The Group Steering Committee is chaired by the chief executive and comprises all the executive directors together with the company secretary, selected managing directors from operating companies, the Group IT manager and the Group financial controller. The Committee meets each quarter and is responsible to the Goard 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 2018, 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 Steering 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 Grant Thornton provided the outsourced internal audit function. The internal auditor monitors and reports on the system of internal control. For the year-ended 31 March 2019 an internal auditor has been 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

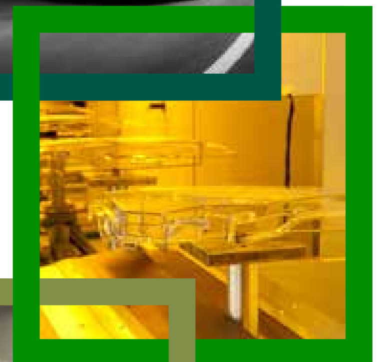
The Company recognises the importance of communication with its shareholders. Regular meetings are held between directors of the Company and major institutional shareholders including presentations after the Company's preliminary announcements of the half year and full year results and discussions on 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 19 July 2018 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 31 to 34.

Approved by the Board
on 5 June 2018
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. The Board are satisfied that the committee as a whole has relevant sectoral competence as 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 two meetings 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 and risk management systems covering all material controls including financial, operational and compliance controls, are subject to internal and external audit and the outputs of the risk management process are actively challenged by the Board. On behalf of 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 appointed Grant Thornton 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.

Towards the end of the year an Internal Auditor was recruited by the Group. The internal auditor will continue to report to the Audit Committee and will work to an agreed programme.

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 2018, 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. The directors include 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 2018 financial year was prepared on a consistent basis with that reported in 2017 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 IAS19 pensions position. The Company has a large defined benefit pension scheme with liabilities of approximately £199.9 million and assets of approximately £170.1 million as at 31 March 2018. These numbers are sensitive to the main assumptions utilised to calculate the deficit or surplus on the scheme and the Audit Committee seeks confirmation that these assumptions are appropriate.
- The Group balance sheet value of goodwill. The balance of goodwill on the Group balance sheet as at 31 March 2018 is £23.9 million and the Audit Committee seeks to gain assurance through the executive management's review of discounted cash flow analyses, particularly in the light of the reduction in market capitalisation in the year, that there are no potential impairment or recoverability issues.

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

- Revenue recognition. The Group generates a significant amount of its revenues and profits from long term tooling projects the recognition of which involves a degree of judgement by management. The Group has established processes to identify and support when revenue and related profits are to be taken. The Committee is satisfied that these processes have been followed appropriately.

The Committee considered whether the 2018 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. The most recent audit tender took place in the previous financial year. The Committee is aware of the relevant new requirements for auditor rotation and will monitor any further legal or regulatory developments.

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 2018 and the nature of the non-audit services provided appear in Note 5 on the accounts. Non-audit fees totalled £0.04 million. Since 31 March 2017 the auditor has only been 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 19 July 2018.

Peter Slabbert
Chairman of the Audit Committee

5 June 2018

nomination committee report

The Nomination Committee is responsible for regularly reviewing the structure, size, diversity and composition of the Board.

This is to ensure that the Group has the right leadership, balance of skills and experience to deliver its strategy and enable the Board to effectively fulfil its obligations.

Composition

The Nomination Committee comprises all of the Non Executive Directors and is chaired by the Chairman of the Board, Michael Derbyshire. The Committee met on four occasions during the year.

Responsibilities

The Committee is responsible for regularly reviewing the structure, size, diversity and composition of the Board. It is also responsible for succession planning and identifying and recommending appropriate candidates for membership of the Board when vacancies arise. The Committee has applied the UK Corporate Governance Code provisions in developing the Group's policies on succession planning and appointments. In considering an appointment, the Committee evaluates the balance of skills, knowledge, independence and experience of the Board and prepares a description of the role and capabilities required for a particular appointment. Internal candidates are considered where appropriate.

During the financial year the Committee focused on Board succession and composition.

The Committee considered candidates in relation to the appointment of a new finance director following the departure of Robert Brooksbank, who served as a director for 14 years. It also considered candidates in relation to the appointment of a new Non Executive director, following the retirement of Robert Rickman, who served as a director for 6 years.

Following the resignation of Robert Brooksbank who served as finance director the Committee undertook a rigorous selection process for his replacement and was supported by external recruitment agency Zygos. In conjunction with the Remuneration Committee, an assessment was also undertaken of the appropriate structure for remuneration of the successful candidate. The search culminated in appointment of Sarah Matthews-DeMers, who will join the Group on 18 July 2018. Sarah's biography is on page 34 and a resolution for her election as a director will be proposed to shareholders at the Annual General Meeting in July 2018. Information on Sarah's remuneration can be found in the report of the Remuneration Committee on page 51.

Following the retirement of Robert Rickman who served as a Non Executive director for 6 years the Committee was supported in the rigorous selection process of a replacement by external recruitment agency Korn Ferry. In conjunction with the Remuneration Committee, an assessment was also undertaken of the appropriate structure for remuneration of the successful candidate. The search culminated in appointment of Mark Rollins, who joined the Group on 1 January 2018. Mark's biography is on page 34 and a resolution for his election as a director will be proposed to shareholders at the Annual General Meeting in July 2018. Information on Mark's remuneration can be found in the report of the Remuneration Committee on page 52.

In addition in January the Chairman, Michael Derbyshire announced his decision to retire as Chairman following the 2018 AGM and the Committee reviewed the suitable candidates before appointing Mark Rollins as Chairman designate.

During the year meetings of the Committee also considered the Company's initiatives for Succession Planning, together with the training and development of employees with the ability to progress to senior positions in the Group. The Board recognises that these initiatives can lead to the appointment of internal candidates to key executive positions and thereby enable the Group to fulfil its strategic objectives.

The Nominations Committee also reviews the time required from each Non Executive Director and any other significant commitments of the Chairman. The 2018 review found the Non Executives' time commitments to be sufficient to discharge their responsibilities effectively. Based on recommendations from the Nominations Committee, Directors submit themselves for election at the AGM following their appointment and thereafter annually for re-election in accordance with good governance.

Boardroom diversity

The Board recognises the importance of diversity as an essential element in maintaining Board effectiveness and a competitive advantage. Diversity of skills, background, knowledge, international and industry experience, and gender will be taken into consideration when seeking to make new appointments to the Board and its Committees. All appointments will be made on merit, taking into account suitability for the role, composition and balance of the Board to ensure that the Company has the appropriate mix of skills, experience, independence and knowledge. In the year we have sought to increase the level of female representation on the Board and are pleased to acknowledge that this has been achieved.

The Board will always consider suitably qualified applicants for roles from as wide a range as possible, with no restrictions on age, gender, religion, ethnic background or current employment, but whose competencies and knowledge will enhance the Board.

directors' remuneration report

Annual statement

Dear Shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration Report (the "Report") for the year ended 31 March 2018.

The Report has three sections:

- This Annual Statement, which summarises and explains the major decisions and changes in respect of directors' remuneration;
- A summary of the Directors' Remuneration Policy (the "Policy") as approved 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 2018 and how the Policy will be operated for the year to 31 March 2019.

Clearly, for reasons explained earlier in these Annual Accounts, Carclo did not achieve the anticipated financial performance during the 2017/18 financial year and the Remuneration Committee (the "Committee") were fully cognisant of this when making judgments as to past and future elements of Board remuneration. These judgments are summarised below.

Leadership changes

The Committee supported the work associated with the changes in Group leadership during the year.

I joined the Board as a Non Executive Director and Remuneration Committee Chairman on 1 January 2018 following the retirement, on 31st December 2017, of Robert Rickman. I would like to thank Robert, on behalf of the Remuneration Committee, for his chairmanship over the past 6 years. The principal terms of the relevant remuneration matters are summarised on page 43 of the report. These are consistent with the Remuneration Policy approved by shareholders at the AGM in 2017.

Then, on 15 January 2018, it was announced that Robert Brooksbank, the Group Finance Director, would leave the Group on 31 March 2018. The terms that the Committee agreed in respect of Robert's departure from the Group, including the treatment of performance related elements of his compensation, are set out on page 51 of the report. These terms are consistent with the approved Remuneration Policy.

On 17 April 2018 it was announced that Sarah Matthews-DeMers would join the Group on 18 July 2018 to take the position as Group Finance Director. A summary of the principal terms of Sarah's remuneration are set out on page 51. Again, these are consistent with the approved Remuneration Policy.

Finally, it was also announced, on 15 January 2018, that Michael Derbyshire will retire from the Board at the AGM in 2018. As it is planned that I am to replace him as Chairman of the Group at that time, a recruitment process is currently on-going for a new Non Executive Director who it is intended will also Chair the Remuneration Committee.

2017/18 financial year – performance and pay

The Remuneration Committee believes in rewarding Carclo's executives based on their performance and the value created for the Group's shareholders. The variable elements of executive remuneration during the year were focused on simple and transparent measures of profit before tax, Earnings Per Share ("EPS") growth and key individual strategic objectives. Accordingly, this Report should be read in conjunction with the Strategic Report.

Salary: As set out in the 2016/17 Report and Accounts an internal review concluded that basic salary levels for 2017/18 should be increased by 3%, being broadly in line with the increases received by other UK employees.

Annual Bonus: In respect of the 2017/18 bonus, 75% of the payment was set against demanding financial targets. As can be seen from page 52 of this report, these targets were not achieved and consequently no bonus was payable in relation to the financial measures for 2017/18. The remaining 25% of the bonus related to performance against individual performance objectives. In line with the Policy, no amounts were paid to the executives in respect of their personal objectives as, in the opinion of the Remuneration Committee, there was no improvement in the underlying financial and operational performance of the Group during the financial year. In summary, the executive directors received no bonus in respect of 2017/18.

Long Term Incentive Plan: Performance measures for awards made under the Carclo Performance Share Plan ("PSP") are equally weighted between EPS and TSR targets. Although 2017/18 was a disappointing year, the first two years of the three year performance period of the 2015 Carclo PSP saw healthy growth. Consequently, there is a 65% vesting in relation to the EPS portion of this award although no vesting in respect of the Total Shareholder Return ("TSR") portion. This will result in 32.5% of the shares subject to the 2015 PSP awards vesting. In light of the recent financial performance, the Chief Executive Officer, Chris Malley, has voluntarily agreed to hold all his vesting shares for at least a further two years, although there is no obligation for him to do so in the rules of the 2015 PSP.

Implementation of the Remuneration Policy for the 2018/19 financial year

The current Directors' Remuneration Policy was approved by shareholders at the 2017 AGM. In respect of the implementation of the Policy for the 2018/19 financial year, and in light of the recent financial performance of the Group, the Committee agreed that;

- Basic salary levels and fees for all Board members would not be increased. This is in line with the awards made to other senior employees within the Group.
- The structure and quantum of the annual bonus continued to be broadly appropriate and aligned to shareholders' interests. For 2018/19 the proportion of the annual bonus potential to be measured against individual performance targets is under review but, in any event, will be no greater than the historic level of 25%; and
- The long-term incentive plan, whereby conditional awards of shares are granted annually under the Carclo PSP with vesting after three years based on earnings per share and relative total shareholder return performance conditions, continues to provide a strong alignment between the senior executive team and shareholders.

Alignment with shareholders

The Remuneration Committee is mindful of the interests of the Group's shareholders and is 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. Most importantly, however, is the clear link between executive remuneration and the performance of the business as a whole.

The Group acknowledges the support it has received in the past from its shareholders and hopes that this will continue at the forthcoming AGM, where I, and all of the Remuneration Committee, will be in attendance and delighted to answer any questions you may have at that time.

Mark Rollins

Chairman of the Remuneration Committee

5 June 2018

Compliance Statement

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

The following parts of the Annual Report on Remuneration Report are audited: the single total figure of remuneration for directors, including annual bonus and LTIP outcomes for the financial year ending 31 March 2018; 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 was approved by the shareholders at the 2017 AGM.

directors' remuneration report CONTINUED

Policy table

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

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
SALARY	To provide an appropriate, competitive level of basic fixed income avoiding excessive risk arising from over reliance on variable income To attract and retain executive directors of superior calibre in order to deliver business growth Reflects individual skills and experience and role	Reviewed annually by the Remuneration Committee, normally effective 1 April Takes periodic account of similar roles at companies with similar characteristics and sector comparators, individual experience and performance, Company performance and wider pay levels and salary increases across the Group	No prescribed maximum annual increase, but will normally be in line with general increase for the wider workforce In exceptional circumstances, the Committee may decide to award a lower increase for executive directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role 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). 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 51 and 52.

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 53 to 54 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 2018 are set out on page 58.

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 generally applies to employees below Board level;

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 and

iv) Participation in the 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

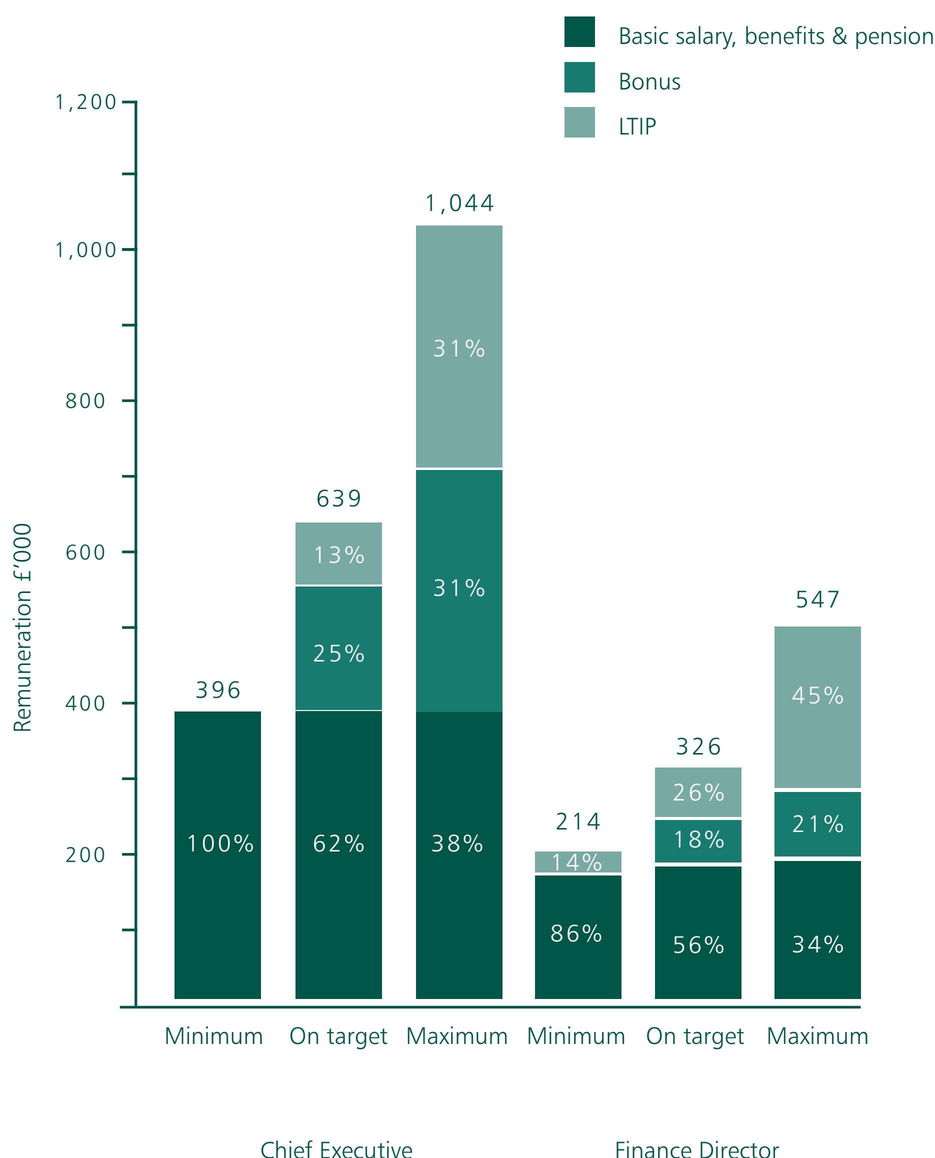
Remuneration Policy for the Chairman and Non Executive directors

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. When doing so, an individual is not allowed to participate in the discussions relating to their own remuneration. The Remuneration Committee recommends the remuneration policy and level of fees for the Chairman to the Board.

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 for the 2018/19 financial year, and the potential split between different elements of remuneration under three different scenarios; "Minimum", "On Target" and "Maximum" performance. In the case of the Finance Director the amounts shown are for a part year only as the individual is due to commence employment on 18 July 2018.



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 2018 Benefits are measured as paid for the role in 2017/18 as set out in the single figure table Pension entitlement measured as 20% of base salary subject to £40,000 cap in respect of C Malley and 15% of base salary subject to £40,000 cap in respect of S Matthews-DeMers Buy out award made to S Matthews-DeMers vesting in respect of shares having a value of £30,000 – for further details see page 55 Note that S Matthews-DeMers salary is time apportioned from her start date of 18 July 2018

	Base salary	Benefits	Pension	Buy out award	Total fixed
Name	£'000	£'000	£'000	£'000	£'0000
CJ Malley	324	32	40	-	396
S Matthews-DeMers	153	8	23	30	214

On target	Based on remuneration if performance was in line with expectations Annual performance bonus 50% of maximum – i.e., CJ Malley 50%, S Matthews-DeMers 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%, S Matthews-DeMers 75% of base salary LTIP assumes maximum PSP vesting (100% for both TSR and EPS performance measures)

This section has been updated to reflect the position as at 31 March 2018. The position as at the time the Remuneration Policy was approved is set out in the Remuneration Policy which is available on the Company's website.

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 for the Chief Executive and 75% of salary for the Finance Director and long term incentives will be limited to 100% of salary in both cases (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) 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 adopted 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 45. 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 or being the senior independent director.

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
S Matthews-DeMers	Finance director	18 July 2018	12 months	12 months

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

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

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

Non Executive director	Date of letter	Unexpired term as at 31 March 2014	Date of appointment	Last reappointment at AGM
M Derbyshire	9 Sept 2015	To 2018 AGM	1 January 2006	7 September 2017
P Slabbert	1 April 2018	To 2018 AGM	1 April 2015	7 September 2017
D Toohey	1 April 2018	To 2018 AGM	1 April 2015	7 September 2017
M Rollins	15 Sept 2017	To 2018 AGM	1 January 2018	n/a

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

This section has been updated to reflect the position as at 31 March 2018 in respect of the Directors' service contracts and letters of appointment. The position as at the time the Remuneration Policy was approved is set out in the Remuneration Policy which is available on the Company's website.

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.

annual report on remuneration

The following section provides details of how Carclo's remuneration policy was implemented during the financial year ending 31 March 2018.

Remuneration Committee membership in 2018

The Remuneration Committee currently comprises of P Slabbert, D Toohey and MJC Derbyshire and has been chaired by M Rollins since his appointment on 1 January 2018. Until his retirement from the Board on 31 December 2017 the Committee was chaired by R Rickman. The Committee met four times during the financial year ended 31 March 2018 and individual Committee members attended all meetings held during the year under review. R Rickman chaired the first two meetings and M Rollins the latter two meetings.

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, with such advice being taken with regard to the departure of R Brooksbank and employment of S Matthews-DeMers.

Summary of shareholder voting at the 2017 AGM on remuneration matters

The following table shows the results of the shareholder vote on the 2016/17 Remuneration Report at the 2017 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	44,803,210	98.4
Against	718,302	1.6
Total votes cast (excluding withheld votes)	45,521,512	100.00
Votes withheld	1,086,194	
Total votes cast (including withheld votes)	46,607,706	

The following table shows the results of the shareholder vote on the Remuneration Policy at the 2017 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	44,766,409	96.2
Against	1,785,647	3.8
Total votes cast (excluding withheld votes)	46,552,056	100.00
Votes withheld	55,650	
Total votes cast (including withheld votes)	46,607,706	

annual report on remuneration

Executive director changes

As announced on 15 January 2018, the Group finance director, R Brooksbank, resigned from the Board on 31 March 2018.

On 17 April 2018 it was announced that S Matthews-DeMers had been appointed as his replacement and that she will take office on 18 July 2018.

R Brooksbank – payments for loss of office

R Brooksbank entered into a settlement agreement with the Company that provides for the payments set out below (less any required tax withholdings). The payments were in full and final settlement of all claims against the Company.

He received payments totalling £265,000 by way of compensation for termination of employment and salary and benefits (including pension) in respect of his 12 month notice period. He will receive continued private medical insurance cover consistent with his current levels for up to 12 months following the date he ceased employment.

He remained eligible to receive a cash bonus of up to 75% salary in respect of the 2017/18 financial year. However, as noted on page 52 no bonus was payable for the 2017/18 financial year due to the financial performance of the Group.

The Committee exercised its discretion that the outstanding awards granted to him in 2015, 2016 and 2017 under the Carclo PSP would remain capable of vesting on the normal vesting dates applicable to those awards, subject to the satisfaction of the relevant performance conditions and the rules of the LTIP (including malus and clawback provisions).

The Committee exercised its discretion so that the potential level of vesting of the 2017 award under the Carclo PSP will be subject to a one third reduction to take account of the proportion of the performance period served by him. It also determined that no such reduction would apply to the 2015 and 2016 awards as he would have been employed, or in his notice period, throughout the respective performance periods.

As noted on page 53 32.5% of the 2015 PSP award will vest.

£2,500 (excluding VAT) was paid directly to third party service providers in respect of legal services provided to him in connection with his cessation of employment. He received a payment of £500 in consideration for enhanced post-employment undertakings.

S Matthews-DeMers – remuneration details

S Matthews-DeMers will take office as the new finance director of the Company on 18 July 2018.

The terms of her appointment can be summarised as follows:
- an annual base salary of £218,000;
- eligible to receive an annual bonus of an amount equal to 75% of her base salary. Her annual bonus for the financial year 2018/19 will be adjusted on a pro rata basis to reflect the proportion of the performance period worked;
- an LTIP award over shares with a value equal to 100% of her full year's base salary;
- an annual employer pension contribution equal to 15% of her basic salary (subject to a maximum of £40,000 per annum); and
- car allowance, private healthcare and life assurance.

Additionally, in accordance with its Remuneration Policy, the Company has agreed to grant her a "buy out" award to compensate her for the awards over shares that she has forfeited as a result of ceasing employment with her previous employer. A review was undertaken taking account of the nature, time horizons, and performance requirements (including the likelihood of those conditions being met) of the forfeited awards. Consequently it has been agreed that an award over shares in the Company will be made to her, with such shares under award having a value of £30,000 on the date of grant. The buyout award does not have any financial performance conditions and will vest in respect of 50% of the shares under award on the first anniversary of her commencing employment and the remaining 50% vesting on the second anniversary subject to her continued employment. Full details of the buy out award will be set out in the Company's next annual report and accounts in accordance with Listing Rule 9.4.3.

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 2018 and the prior year:

	Salary		Payment for loss of office		Benefits (1)		Annual Bonus		LTIP		Pension (2)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Name	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CJ Malley	324	315	0	0	32	12	0	303	58	171	35	35	449	836
RJ Brooksbank	218	211	265	0	13	12	0	151	27	80	35	35	558	489

Notes
(1) Benefits comprise private medical cover, travel and car allowance. CJ Malley's benefits increased in 2018 to reflect the costs of commuting to Group facilities which were previously expensed to the Company.
(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 2018 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 2018 and the prior year:

	Base fee £		Committee fees £		Total £	
Non Executive Director	2018	2017	2018	2017	2018	2017
MJC Derbyshire	89,551	86,943	-	-	89,551	86,943
R Rickman	27,577	35,698	4,631	5,995	32,208	41,693
P Slabbert	36,769	35,698	6,175	5,995	42,944	41,693
D Toohey	36,769	35,698	-	-	36,769	35,698
M Rollins	9,192	-	1,544	-	10,736	-

Incentive outcomes for the year ended 31 March 2018 (audited)

Annual performance bonus outcome 2017/18

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

The detailed financial performance targets applicable to the 2017/18 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 £14.9 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 £15.4 million on the same basis. The actual performance achieved against these targets was £10.6 million and consequently no payment will be made in respect of the financial performance targets.

The personal strategic targets for CJ Malley mainly related to (i) Developing the alternative visions for how the Group will look in 10 years' time and planning a roadmap to achieve that (ii) Developing the Carclo Technical Plastics ("CTP") strategy increasing margins, securing new global business, improving operational performance and completing the expansion strategy (iii) Developing the LED Technologies strategy and achieving the award of the contract for a further mid-volume vehicle.

The personal strategic targets for RJ Brooksbank mainly related to (i) Developing an alternate management and statutory consolidation tool to replace the current system (ii) Streamlining and implementing a new budget pack (iii) Successfully bringing Internal Audit in house (iv) Improving cashflow reporting

Whilst some of the personal strategic targets were achieved, due to the failure of the Group to achieve the applicable performance targets no payments will be made in relation to these personal strategic objectives.

annual report on remuneration CONTINUED

Annual performance bonus disclosure for 2016/17

In prior years, detailed disclosure of the annual bonus targets has been made a year in arrears. Therefore, full disclosure has not yet been made in respect of the targets and bonus outcomes for 2016/17. For completeness this is now disclosed below.

To achieve the minimum threshold under the financial performance targets the Group was required to achieve an underlying pre-tax operating profit of £11.1 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 £11.8 million on the same basis. The actual performance achieved against these targets was £12.0 million and consequently full payment was made in respect of the financial performance targets.

The personal strategic targets for CJ Malley mainly related to (i) Developing the Carclo Technical Plastics ("CTP") strategy and identifying and completing the purchase of a suitable acquisition candidates that fitted that strategy (ii) Developing the LED Technologies strategy and achieving the award of the contract for a second mid-volume vehicle (iii) Completing operational growth plans for CTP such as securing additional medical customers around the globe and completing expansions in the US and UK (iv) Securing annualised new spares business within the Aerospace business.

The personal strategic targets for RJ Brooksbank mainly related to (i) Developing the Carclo Technical Plastics ("CTP") strategy and identifying and completing the purchase of a suitable acquisition candidates that fitted that strategy (ii) Reducing the level of overdue debts around the group (iii) Improved international taxation strategies (iv) Improved international cashflow forecasting.

CJ Malley achieved 85% of his personal strategic objectives leading to a payment of 21.25% of salary.

RJ Brooksbank achieved 80% of his personal strategic objectives leading to a payment of 15.0% of salary.

2015 LTIP vesting

The LTIP award granted on 10 July 2015 was based on the performance over the three years ended 31 March 2018. The performance targets for this award, and actual performance against those targets, were as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% Vesting
Earnings per share	Normalised EPS growth of RPI+ 5% pa (12.5% vesting) to RPI+12% pa (50% vesting) over three financial years	10.53p EPS	12.33 EPS	11.4p EPS	65.0%
Total Shareholder Return	TSR against the constituents of the FTSE Small Cap Index (excluding investment trusts). 12.5% vesting for median performance and 50% vesting for upper quartile performance or above. TSR measured over three financial years with a three month average at the start and end of the performance period	19.21% TSR	46.05% TSR	(16.30%) TSR	0%
			Total Vesting		32.5%

This therefore resulted in 32.5% vesting for the 2015 award. as follows:

Executive	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Estimated value (£)
CJ Malley	197,000	64,025	132,975	57,623
RJ Brooksbank	92,000	29,900	62,100	26,910

Scheme interests awarded in the year ended 31 March 2018 (audited)

2017/18 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	14 July 2017	209,000	159.0p	£332,310
RJ Brooksbank	14 July 2017	98,000	159.0p	£155,820

Awards were made to the extent of 100% of salary in the respect of CJ Malley and 70% in respect of RJ Brooksbank.

The awards measured performance on the following basis:

Consistent with past awards, the extent to which awards 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 TSR and 50% determined by reference to the Group'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 2019

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 March 2019 is set out below:

Basic salary

As reported in the Annual Statement on page 43 the Remuneration Committee agreed not to increase executive directors' base salary levels:

Name	2018/19	2017/18	% increase
CJ Malley	£324,365	£324,365	0.0

S Matthews-DeMers will join the Board on 18 July 2018. She will be paid an annual salary of £218,000, the same as her predecessor, meaning that she will earn £153,000 pro-rated for the financial year in question.

A number of the Group's senior executives are also not receiving an increase in salary for 2018/19. Elsewhere, the Group's other employees are, in general, receiving pay rises ranging from 0.0% to 5.0% depending on promotional increases, individual performance and wage inflation in the geography in which they are located.

Pension arrangements

A salary supplement in lieu of pension contributions will be paid to CJ Malley calculated at 20% of salary and limited to a maximum of £40,000 in total cost to the company. A pension contribution calculated at 15% of salary will be paid in respect of S Matthews-DeMers and this is also limited to a maximum of £40,000.

Annual bonus

The maximum bonus potential for the year ending 31 March 2019 will remain at 100% of salary for the chief executive and 75% of salary for the finance director. Awards have historically been determined based on a combination of both the Group's financial results and personal achievements.

The element relating to personal objectives is currently under review, but in any event will not exceed the historical level of 25% of the bonus. In turn this means that at least 75% of the bonus will be based on financial measures, which for 2018/19 are likely to include a cash based measure in addition to the historical profit based measures. Maximum bonus will only be payable when the financial results of the Group significantly exceed expectations and any 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 2019. Clawback and malus provisions will apply for all executive directors.

Proposed target levels have been set to be challenging relative to the 2018/19 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.

Any bonus payable to S Matthews-DeMers will be prorated for the time she works for the Group in the year ended 31 March 2019.

annual report on remuneration CONTINUED

Long term incentives

The new Performance Share Plan was approved at the AGM in 2017.

Consistent with past awards, the extent to which LTIP awards which will be granted in the year ending 31 March 2019 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.

It is planned that the chief executive and finance director are both to receive a grant of 100% of salary for the awards made during 2018 under the Carclo PSP. The grant in respect of the chief executive is in line with previous years whereas the grant in respect of the finance director will represent an increase from the prior year's 70% of salary.

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.

Buy Out award

As stated above, in accordance with its Remuneration Policy, the Company has agreed to make the new Finance Director a "buy out" award in respect of the awards over shares that she has forfeited as a result of ceasing employment with her previous employer. A review was undertaken taking account of the nature, time horizons, and performance requirements (including the likelihood of those conditions being met) of the forfeited awards. Consequently it has been agreed that an award over shares in the Company will be made to her, with such shares having a value of £30,000 on the date of grant. The buyout award will vest in respect of 50% of the shares under option on the first anniversary of her commencing employment and the remaining 50% vesting on the second anniversary subject to her continued employment.

Full details of the buy out award will be set out in the Company's next annual report and accounts in accordance with Listing Rule 9.4.3.

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.

Given the financial performance of the Group, it was concluded that, in line with the decision regarding executive director salaries, the fee levels for the Chairman and Non Executive directors would be left unchanged. However, in recognition of the importance and workload associated with the role and in line with market practice, an annual fee of £5,000 was introduced for the Senior Independent Director. It was also agreed that the fee payable would be halved if the Senior Independent Director received a fee for chairing a Committee. This applies in the case of Peter Slabbert, the current Senior Independent Director, who will therefore receive a fee of £2,500 for the role during 2018/19. Fee levels, and increases awarded, for the 2018/19 financial year can be summarised as follows:

Provision	2018/2019	2017/ 2018	% increase
Chairman	£89,551	£89,551	0.0
Base fee	£36,769	£36,769	0.0
Senior Independent Director fee	£2,500	£ nil	n/a
Committee Chair fees	£6,175	£6,175	0.0

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 2017 and 31 March 2018 compared to that of the total amounts for all UK employees of the group for each of these elements of pay.

	2018	2017	% change	
	£'000	£'000		
Salary Chief executive UK employee average	 324 29	 315 25	 2.9% 16.0%	
Benefits Chief executive UK employee average	 32 1	 13 1	 146.2% 0.0%	
Annual bonus Chief executive UK employee average	 0 0	 303 1	 n/a n/a	Note 1
Average number of UK employees	596	570	4.6%	

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

Note 1: Total annual bonus awards under the Group's short term incentive scheme decreased from £469k to £33k for all UK participants

Relative importance of spend on pay

The table below shows the Group actual expenditure on pay (for all employees) relative to dividends, and retained profits for the financial years ending 31 March 2017 and ending 31 March 2018

	2018	2017	% change
	£'000	£'000	
Staff costs	37,754	35,420	6.6%
Retained profit	8,492	7,982	6.4%
Number of Employees	1,442	1,418	1.7%

annual report on remuneration CONTINUED

Relative 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 nine 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.

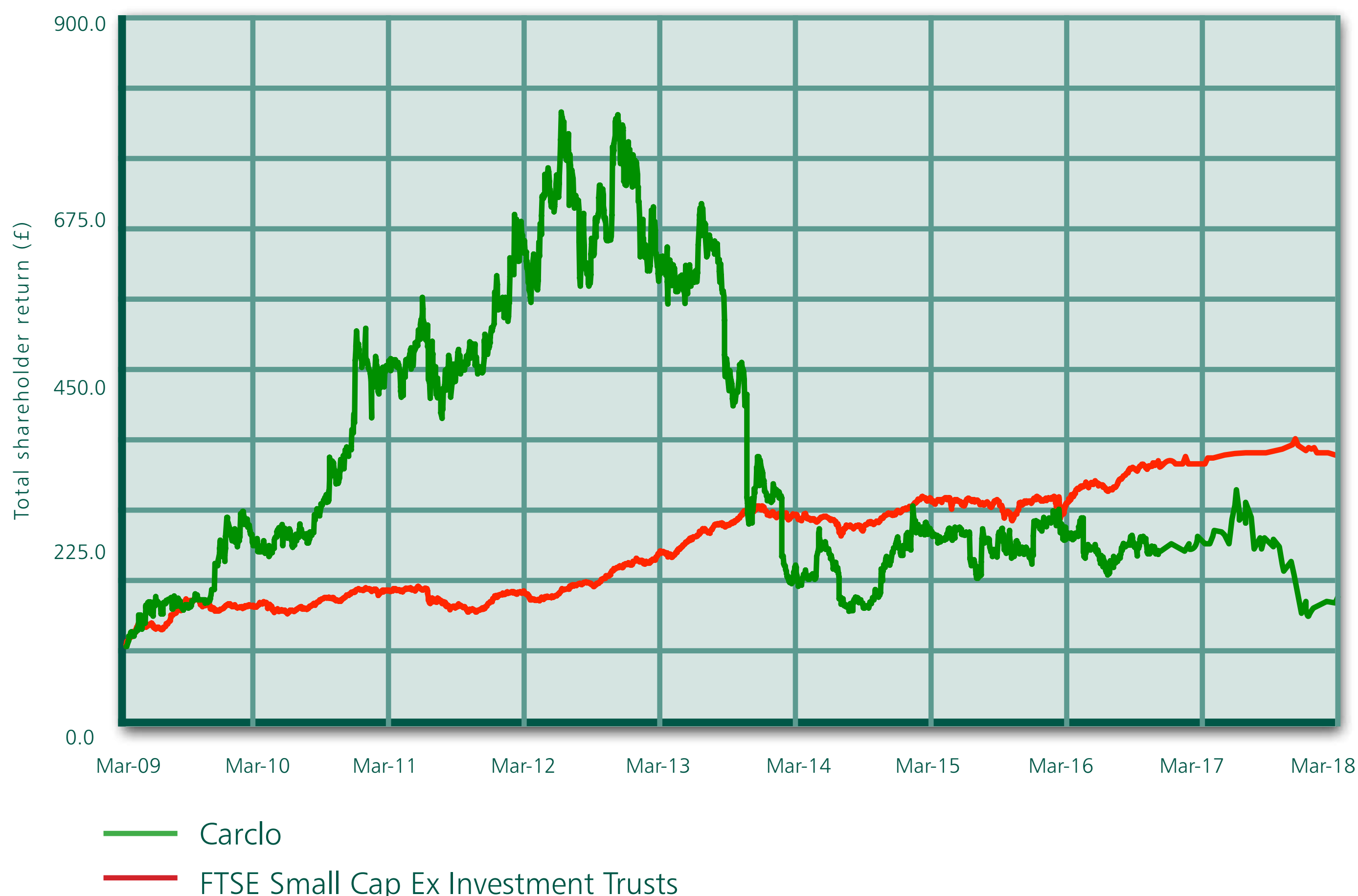


Table of historical data (chief executive)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Chief executive single figure of remuneration (£000)	433	491	249	2,764	328	538	462	836	449
Annual bonus payout (as % of maximum)	-	-	-	-	-	71	21	96	-
LTIP vesting (as % of maximum)	50	50	50	100	-	-	50	50	32.5

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 2018 were as follows:

	31 March 2018		31 March 2017	
	Ordinary shares	Options	Ordinary shares	Options
CJ Malley	259,726	-	113,782	-
MJC Derbyshire	70,000	-	70,000	-
M Rollins	100,000	-	-	-
P Slabbert	30,000	-	30,000	-
D Toohey	-	-	-	-

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

Directors' shareholding requirement (audited)

The table below shows the shareholding of each executive director against their respective shareholding requirement as at 31 March 2018:

	Shares held					
Director	Owned out-right 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	259,726	-	616,000	100	72	52

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

annual report on remuneration CONTINUED

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

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

Director and year of award	At 1 April 2017	Granted	Vested	Lapsed	At 31 March 2018	Market value per share at date of award £	Determination Date
CJ Malley							
PSP 2014	240,000	-	(120,000)	(120,000)	-	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
PSP 2017	-	209,000	-	-	209,000	1.59	14.7.20
RJ Brooksbank							
PSP 2014	112,000	-	(56,000)	(56,000)	-	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
PSP 2017	-	98,000	-	(32,667)	65,333	1.59	14.7.20

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

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 International Financial Reporting Standards as adopted by the European Union (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, relevant, reliable 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 Statement of corporate governance 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

The directors as at the date of this report, whose names and functions are set out on page 27, confirm that to the best of their 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

5 June 2018

Independent auditor's report to the members of Carclo plc

1. Our opinion is unmodified

We have audited the financial statements of Carclo Plc ("the Company") for the year ended 31 March 2018 :

- which comprise the consolidated income statement,
- consolidated statement of comprehensive income,
- consolidated statement of financial position,
- consolidated statement of changes in equity,
- consolidated statement of cash flows, company balance sheet,
- company statement of changes in equity, and the related notes, including the accounting policies in note 1.

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 27 September 2017. The period of total uninterrupted engagement is for the 13 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: group financial statements as a whole	£450k (2017: £500k) 5.3% (2017: 4.8%) of profit before tax
Coverage	99% (2017: 95%) of Group profit before tax
Risks of material misstatement	**vs 2017**
Recurring Risks	Defined benefit pension obligation (Group and Parent Company) ◄►
Event driven	**New:** Valuation of Carclo Technical Plastics (CTP) Goodwill ▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters , in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The risk		Our response
Valuation of CTP goodwill (21.4 million; 2017: £22.4 million) Refer to page 40 (Audit Committee Report), pages 72 and 75 (accounting policy) and page 88 (financial disclosures).	**Forecast based valutation** The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.	Our procedures included: **Historical comparisions:** analysed the Group's previous projections against actual outcomes to assess historical reliability of the forecasting. **Benchmarking assumptions:** compared the Group's trading forecasts against current trading performance and against anticipated long term growth rates for the sectors and countries within which the entity operates. Investigated any significant deviations in order to challenge the assumptions present within the forecasts. **Sensitivity analysis:** Performed breakeven analysis on the key assumptions including terminal growth rates, discount factor, operating profit and operating profit margins. **Our sector experience:** Engaged our own valuation specialists to assess and challenge the discount rate by obtaining the detail of the inputs used in the discount rate calculation, benchmarking each input against our own expectations, and comparing the overall rate to an expected range based on our own benchmarks. **Comparing valuations:** Compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and **Assessing transparency:** Assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. **Our results:** we found the resulting estimate of the recoverable amount of goodwill to be acceptable.
Valuation of defined benefit pension scheme obligation (Group and Parent company) (£199.8m 2017: £219.4) Refer to page 40 (Audit Committee Report), page 73 (accounting policy) and pages 92 to 95 financial disclosures).	**Subjective valuation** Estimates and assumptions are made in valuing the Group and parent Company's post-retirement defined benefit plan obligations (before deducting scheme assets), including in particular the discount rate, the inflation assumptions and the mortality assumptions. Small changes in these assumptions and estimates would have a significant effect on the group and parent Company's net pension deficit.	Our procedures included: **Our sector experience:** with the assistance of our pension specialist we challenged the key assumptions applied including the discount rate, inflation rates and mortality. This included a comparison of these key assumptions against externally derived data. **Assessing transparency:** We considered the adequacy of disclosures made in respect of the sensitivity of the obligation to changes in the assumptions. **Our results:** We found the valuation of the group pension scheme obligation to be acceptable. (2017 result: Acceptable)

Acquisition accounting including valuation of goodwill and intangible assets was identified as a key audit matter in the prior year. However, since there were no acquisitions in the current year it is not identified as one of the most significant risks in our audit 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 £450k (2017:£500k), determined with reference to a benchmark of group profit before tax, of which it represents 5.3% (2017: 4.8%).

Materiality for the parent company financial statements as a whole was set at £300k (2017:£275k), determined with reference to a benchmark of company net assets, of which it represents 1% (2017: 1%).

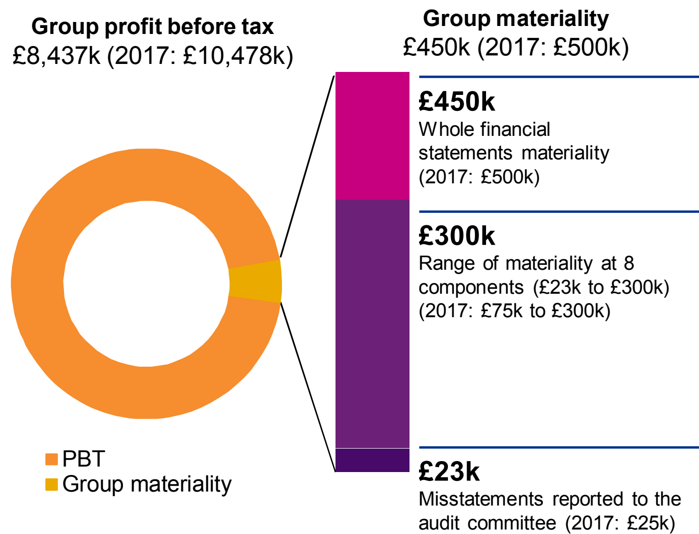
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £23k (2017: £25K), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's eight (2017: nine) reporting components, we subjected seven (2017: seven) to full scope audits for group purposes and one (2017: one) to specified risk-focused procedures. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. For the residual component we performed an analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within this component.

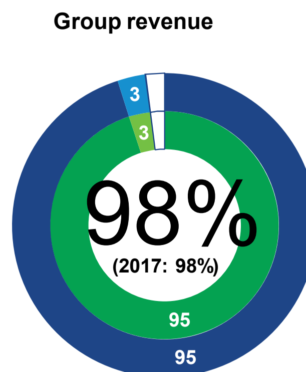
The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £25k to £300k, having regard to the mix of size and risk profile of the Group across the components. The work on five of the eight components (2017: five of the nine components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

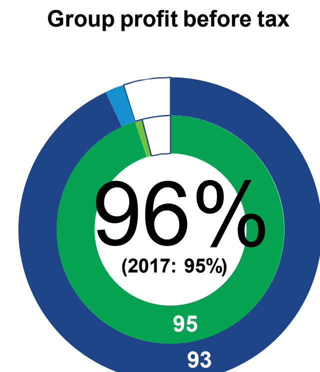
The Group team visited one (2017:none) component location in India to assess the audit risk and strategy. Meetings were also held with this component auditor, and telephone conference meetings were held for the others that were not physically visited, at the planning and completion stage of work. At this visit and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor



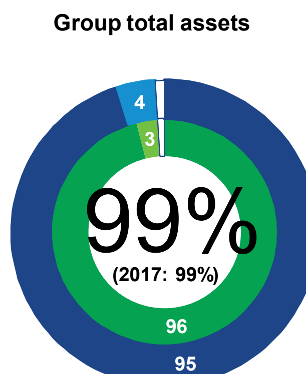
Group revenue



Group profit before tax



Group total assets



Full scope for group audit purposes 2018
Specified risk-focused audit procedures 2018
Full scope for group audit purposes 2017
Specified risk-focused audit procedures 2017
Residual components

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

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 22 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from
- the related statement under the Listing Rules set out on page 22 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the viability statements on page 22 that they have carried out a robust assessment of the principal risks facing the Group,including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

As explained more fully in their statement set out on page 60, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety and employment law. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible noncompliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Street
Sovereign Square
Leeds
LS1 4dA

5 June 2018

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 MARCH

	Notes	2018 £000	2017 £000
Revenue	4	**146,214**	138,282
Underlying operating profit		**10,811**	12,498
– rationalisation costs	8	**(556)**	(233)
– litigation costs	8	**(21)**	(60)
– costs arising on the disposal of surplus properties	8	**4**	(658)
– credit in respect of retirement benefits	8,22	**-**	410
– compensation for loss of office	8	**(265)**	-
– impairment of CIT Technology	8	**(66)**	-
Operating profit	4,5	**9,907**	11,957
Finance revenue	9	**99**	170
Finance expense	9	**(1,839)**	(1,649)
Profit before tax		**8,167**	10,478
Income tax credit / (expense)	10	**325**	(2,496)
Profit after tax		**8,492**	7,982
Attributable to –			
Equity holders of the parent		**8,492**	7,995
Non-controlling interests		**-**	(13)
		8,492	7,982
Earnings per ordinary share	11		
Basic		**11.6p**	11.5p
Diluted		**11.6p**	11.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 MARCH

	2018 £000	2017 £000
Profit for the period	**8,492**	7,982
Other comprehensive income -		
Items that will not be reclassified to the income statement		
Remeasurement gains / (losses) on defined benefit scheme	**2,150**	(10,074)
Deferred tax arising	**(392)**	1,364
Total items that will not be reclassified to the income statement	**1,758**	(8,710)
Items that are or may in future be classified to the income statement		
Foreign exchange translation differences	**(2,238)**	5,271
Deferred taxation arising	**138**	(769)
Total items that are or may in future be classified to the income statement	**(2,100)**	4,502
Other comprehensive income, net of income tax	**(342)**	(4,208)
Total comprehensive income for the period	**8,150**	3,774
Attributable to –		
Equity holders of the parent	**8,150**	3,787
Non-controlling interests	**-**	(13)
Total comprehensive income for the period	**8,150**	3,774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Notes	2018 £000	2017 revised* £000
Assets			
Intangible assets	13	**25,311**	25,702
Property, plant and equipment	14	**46,446**	43,423
Investments	15	**7**	7
Deferred tax assets	21	**8,731**	10,332
Trade and other receivables	17	**143**	-
Total non current assets		**80,638**	79,464
Inventories	16	**19,812**	19,250
Trade and other receivables	17	**46,449**	38,468
Cash and cash deposits	18	**12,962**	22,269
Non current assets classified as held for sale	19	**200**	200
Total current assets		**79,423**	80,187
Total assets		**160,061**	159,651
Liabilities			
Interest bearing loans and borrowings	20	**29,253**	29,406
Deferred tax liabilities	21	**4,070**	6,140
Provisions	23	**323**	440
Trade and other payables	25	**208**	15
Retirement benefit obligations	22	**29,798**	32,503
Total non current liabilities		**63,652**	68,504
Trade and other payables	24	**28,313**	25,687
Current tax liabilities		**731**	2,056
Provisions	23	**161**	253
Interest bearing loans and borrowings	20	**15,185**	18,888
Total current liabilities		**44,390**	46,884
Total liabilities		**108,042**	115,388
Net assets		**52,019**	44,263
Equity			
Ordinary share capital issued	26	**3,664**	3,650
Share premium		**7,359**	7,359
Translation reserve	27	**6,234**	8,334
Retained earnings	27	**34,788**	24,946
Total equity attributable to equity holders of the parent		**52,045**	44,289
Non-controlling interests		**(26)**	(26)
Total equity		**52,019**	44,263

* The comparatives have been revised in respect of the acquisition of Precision Tool & Die on 13 October 2016. More detail is set out in note 3 to the financial statements.

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

Michael Derbyshire
Chris Malley } directors

5 June 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000	Non-controlling Interests £000	Total equity £000
Balance at 1 April 2016	3,311	18	3,832	25,719	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	24,946	44,289	(26)	44,263
Balance at 1 April 2017	**3,650**	**7,359**	**8,334**	**24,946**	**44,289**	**(26)**	**44,263**
Profit for the period	**-**	**-**	**-**	**8,492**	**8,492**	**-**	**8,492**
Other comprehensive income -							
Foreign exchange translation differences	**-**	**-**	**(2,238)**	**-**	**(2,238)**	**-**	**(2,238)**
Remeasurement gains on defined benefit scheme	**-**	**-**	**-**	**2,150**	**2,150**	**-**	**2,150**
Taxation on items above	**-**	**-**	**138**	**(392)**	**(254)**	**-**	**(254)**
Total comprehensive income for the period	**-**	**-**	**(2,100)**	**10,250**	**8,150**	**-**	**8,150**
Transactions with owners recorded directly in equity -							
Share based payments	**-**	**-**	**-**	**(40)**	**(40)**	**-**	**(40)**
Exercise of share options	**14**	**-**	**-**	**(262)**	**(248)**	**-**	**(248)**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**(106)**	**(106)**	**-**	**(106)**
Balance at 31 March 2018	**3,664**	**7,359**	**6,234**	**34,788**	**52,045**	**(26)**	**52,019**

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH

	Notes	2018 £000	2017 £000
Cash generated from operations	29	**6,257**	8,916
Interest paid		**(1,016)**	(932)
Tax paid		**(1,693)**	(2,086)
Net cash from operating activities		**3,548**	5,898
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**48**	551
Interest received		**99**	170
Acquisition of subsidiaries, net of cash acquired		**-**	(5,672)
Acquisition of property, plant and equipment		**(8,773)**	(7,860)
Acquisition of intangible assets – computer software		**(350)**	(272)
Capitalised development expenditure		**-**	(102)
Net cash from investing activities		**(8,976)**	(13,185)
Cash flows from financing activities			
Proceeds from issue of share capital, net of costs		**-**	7,675
Drawings on term loan facilities		**750**	-
Repayment of borrowings		**-**	(2,900)
Cash outflow in respect of performance share plan awards		**(248)**	(59)
Dividends paid		**-**	(596)
Net cash from financing activities		**502**	4,120
Net decrease in cash and cash equivalents		**(4,926)**	(3,167)
Cash and cash equivalents at beginning of period		**3,381**	5,996
Effect of exchange rate fluctuations on cash held		**(678)**	552
Cash and cash equivalents at end of period		**(2,223)**	3,381
Cash and cash equivalents comprise –			
Cash and cash deposits		**12,962**	22,269
Bank overdrafts		**(15,185)**	(18,888)
		(2,223)	3,381

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 104 to 111.

The accounting policies have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise 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 2.

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 following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2017:

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

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

Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2017).

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 2018. The Group has elected not to adopt early these standards which are described below:

IFRS 9 Financial Instruments (effective date 1 January 2018). The Group has evaluated the impact of this standard and it is not believed that it will have a material impact on the Consolidated Financial Statements.

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018). The Group has determined accounting policies under the new standard and the project to implement system changes, processes and controls is well in progress. Forecasts have been remodelled to the extent it is currently possible. The Group will continue to monitor the impact on tax 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 of profits although this assessment is still ongoing.

IFRS 16 Leases (effective date 1 January 2019). This new standard will impact the recognition, measurement and disclosure of operating leases. It is expected that 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;

Annual Improvements to IFRS standards 2014-2016 cycle (Amendments to IFRS 1 and IAS 28) (effective date 1 January 2018);

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date 1 January 2018);

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

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 insurance Contracts (effective 1 January 2018).

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.

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.

1 Accounting policies continued

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.

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 22.
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.

1 Accounting policies continued

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 has 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.

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 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 28 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 2018 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. Subsequent to the balance sheet date the Group has agreed approximately £1.9 million of asset financing with its UK bank. The Group meets its day to day working capital requirements through overdraft facilities which have been extended from £16.0 million to £18.0 million subsequent to the year end.

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 13 contains information about management's estimates of the recoverable amount of cash generating units and their risk factors. Management has exercised judgement over the underlying assumptions within the valuation models. These are key factors in their assessment of whether there is any impairment in related goodwill.

Key sources of estimation uncertainty -

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. As set out in more detail in note 13, the recoverable amounts are based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the future cash flows.

Pension assumptions

Note 22 contains information about management's estimate of the net liability for defined benefit obligations and their risk factors. Management has exercised its judgement in setting the underlying assumptions.

Key sources of estimation uncertainty -

The value of the defined benefit pension plan obligation is determined by long-term actuarial assumptions. These assumptions include discount rates, inflation rates and mortality rates. Differences arising from actual experience or future changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income. The Group exercises judgement in determining the assumptions to be adopted after discussion with a qualified actuary. Details of the key actuarial assumptions used and of the sensitivity of these assumptions are included within Note 22.

3 Revision to initial acquisition accounting of PTD

The comparative figures for the year ended 31 March 2017 are revised in these financial statements to incorporate the adjustments arising from the initial accounting for the acquisition of PTD on 13 October 2016. The impact on the consolidated statement of financial position at 31 March 2017 is to reduce the carrying value of non-current assets and trade and other payables by £0.621 million. There is no impact on net assets at 31 March 2017 or on the consolidated income statement, reserves or the consolidated statement of cash flows for the year then ended.

4 Segment reporting

At 31 March 2018, 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 steering 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 managed its portfolio of IP over the digital printing of conductive metals onto plastic substrates up to 31 March 2018 at which point it was decided to cease this activity.

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.

4 Segment reporting continued

Analysis by business segment

The segment results for the year ended 31 March 2018 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	92,237	50,707	6,072	-	-	(2,802)	146,214
Less inter–segment revenue	(2,584)	(118)	(100)	-	-	2,802	-
Total external revenue	89,653	50,589	5,972	-	-	-	146,214
Expenses	(82,980)	(44,167)	(5,225)	-	(3,031)	-	(135,403)
Underlying operating profit	6,673	6,422	747	-	(3,031)	-	10,811
Rationalisation costs	(98)	-	-	(22)	(436)	-	(556)
Compensation for loss of office	-	-	-	-	(265)		(265)
Costs arising on the disposal of surplus properties	-	-	-	-	4	-	4
Impairment of CIT Technology	-	-	-	(66)	-	-	(66)
Litigation costs	-	-	-	-	(21)	-	(21)
Operating profit	6,575	6,422	747	(88)	(3,749)	-	9,907
Net finance expense							(1,740)
Income tax credit							325
Profit after tax							8,492

	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	100,640	44,164	6,486	75	8,696	-	160,061
Segment liabilities	(22,516)	(9,698)	(784)	(8)	(75,036)	-	(108,042)
Net assets	78,124	34,466	5,702	67	(66,340)	-	52,019
Other segmental information							
Capital expenditure on property, plant and equipment	6,079	2,966	81	-	149	-	9,275
Capital expenditure on computer software	37	53	-	-	260	-	350
Depreciation	3,592	938	165	-	37	-	4,732
Amortisation of computer software	19	30	-	-	112	-	161
Amortisation of other intangibles	56	31	-	33	-	-	120

4 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	103,658	38,182	6,505	1,364	9,942	-	159,651
Segment liabilities	(23,738)	(6,160)	(753)	(86)	(84,651)	-	(115,388)
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

4 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	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**40,948**	41,195	**(10,732)**	(23,046)	**7,323**	5,417
North America	**45,199**	39,698	**30,569**	33,548	**860**	1,450
Rest of world	**60,067**	57,389	**32,182**	33,761	**1,442**	1,584
	146,214	138,282	**52,019**	44,263	**9,625**	8,451

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 £29.798 million (2017 - net liabilities of £32.503 million), and net borrowings of £38.545 million (2017 - £42.001 million).

One Technical Plastics customer accounted for 17.6% of Group revenues (2017 – 16.4%) and one LED Technologies customer accounted for 16.2% of Group revenues (2017 - 14.7%) 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.

Deferred tax assets by geographical location are as follows, United Kingdom £8.335 million (2017 - £9.794 million), North America £0.186 million (2017 - £0.000 million), Rest of world £0.209 million (2017 - £0.489 million).

Total non-current assets by geographical location are as follows, United Kingdom £28.850 million (2017 - £23.868 million), North America £21.593 million (2017 - £24,130 million), Rest of world £21.314 million (2017 - £20.485 million).

5 Operating profit

	2018 £000	2017 £000
Operating profit is arrived at as follows -		
Revenue	**146,214**	138,282
Increase in stocks of finished goods and work in progress	**934**	1,011
	147,148	139,293
Raw materials and consumables	**70,719**	66,488
Personnel expenses (see note 7)	**37,714**	35,871
Amortisation of intangible assets	**281**	149
Depreciation of property, plant and equipment	**4,732**	4,535
Auditor's remuneration -		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**84**	75
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**101**	98
Audit related assurance services	**10**	10
Tax advisory services	**27**	48
Independent project advice	**-**	9
Total	**222**	240
Operating lease rentals -		
Property	**1,535**	1,429
Plant and machinery	**392**	397
Total	**1,927**	1,826
Rationalisation costs (see note 8)	**556**	233
Litigation costs (see note 8)	**21**	60
Costs arising on the disposal of surplus properties (see note 8)	**(4)**	658
Credit in respect of retirement benefits (see note 22)	**-**	(410)
Compensation for loss of office (see note 8)	**265**	-
Impairment of CIT Technology (see note 8)	**66**	-
Foreign exchange (gains) / losses	**(8)**	41
Pension scheme administration costs	**713**	636
Other operating charges	**20,037**	17,009
	137,241	127,336
Operating profit	**9,907**	11,957

6 Acquisitions of subsidiaries

Acquisitions in the prior 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 revised**
PTD's net assets at the acquisition date:	**£000**
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**
Total consideration	**4,632**
Goodwill *	**2,321**

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.

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.

*Revision to initial acquisition accounting of PTD

The comparative figures for the year ended 31 March 2017 are revised in these financial statements to incorporate the adjustments arising from the initial accounting for the acquisition of PTD on 13 October 2016. The impact on the consolidated statement of financial position at 31 March 2017 is to reduce the carrying value of non-current assets and trade and other payables by £0.621 million. There is no impact on net assets at 31 March 2017 or on the consolidated income statement, reserves or the consolidated statement of cash flows for the year then ended.

6 Acquisitions of subsidiaries

Acquisition of FLTC

On 29 March 2017, the Group acquired all of the shares in FLTC (Europe) a.s. ("FLTC") (now renamed as Wipac Czech s.r.o) 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.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities -

	Recognised values on acquisition revised
FLTC's net assets at the acquisition date:	**£000**
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.

7 Personnel expenses

	2018 £000	2017 £000
Wages and salaries	**31,720**	30,096
Social security contributions	**4,891**	4,176
Charge in respect of defined contribution and other pension plans	**1,143**	1,148
Share based payments (see note 26)	**(40)**	451
	37,714	35,871

Redundancy costs of £0.226 million (2017 - £0.087 million) and compensation for the loss of office of £0.265 million (2017 - nil) are excluded from the above analysis and included in note 8.
Directors' remuneration and emoluments, which are included in this analysis except for compensation for loss of office of £0.265 million (2017 - nil), are described in the directors' remuneration report on pages 42 to 59.

The gains made by the Directors on the vesting of the PSP awards during the period were:	**2018 £000**	2017 £000
CJ Malley	**197**	59
RJ Brooksbank	**92**	26

The average monthly number of persons employed by the Group during the year was as follows –	**2018 Number of employees**	2017 Number of employees
By segment		
Unallocated	**21**	18
Technical Plastics	**998**	1,026
LED Technologies	**351**	298
Aerospace	**72**	73
CIT Technology	**-**	3
	1,442	1,418
By geographic location		
United Kingdom	**596**	558
North America	**310**	297
Rest of world	**536**	563
	1,442	1,418

8 Exceptional items

	2018 £000	2017 £000
United Kingdom		
Litigation costs	**(21)**	(60)
Rationalisation costs	**(354)**	(158)
Compensation for loss of office	**(265)**	-
Credit in respect of retirement benefits	**-**	410
Costs arising on the disposal of surplus properties	**4**	(658)
Impairment review of CIT Technology	**(66)**	-
North America		
Rationalisation costs	**(187)**	(90)
Rest of world		
Rationalisation costs	**(15)**	15
	(904)	(541)

£0.153 million of rationalisation costs were incurred during the year in respect of the remaining Harthill held for sale property.
In addition to the above, non-operating exceptional items included a £1.990 million tax credit resulting from the US Tax Cuts and Jobs Act.

9 Finance revenue and expense

	2018 £000	2017 £000
Finance revenue comprises –		
Interest receivable on cash at bank	**99**	170
Finance revenue	**99**	170
Finance expense comprises –		
Bank loans and overdrafts	**(1,009)**	(842)
Unwind of discount on provisions	**-**	(15)
Net interest on the net defined benefit liability	**(830)**	(792)
Finance expense	**(1,839)**	(1,649)

10 Income tax expense

	2018 £000	2017 £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	**652**	344
Overseas taxation		
Current tax	**(1,047)**	(2,168)
Adjustments for prior years	**(91)**	61
Total current tax net expense	**(486)**	(1,915)
Deferred tax expense		
Origination and reversal of temporary differences -		
Deferred tax	**(899)**	(1,135)
Rate change	**1,990**	2
Adjustments for prior years	**(280)**	552
Total deferred tax credit / (expense)	**811**	(581)
Total income tax credit / (expense) recognised in the consolidated income statement	**325**	(2,496)

10 Income tax expense continued

Factors affecting the tax expense for the year -
The tax assessed for the year is lower (2017 - higher) than the standard rate of corporation tax in the UK. The differences are explained as follows -

	2018		2017	
	£000	**%**	£000	%
Profit before tax	**8,167**		10,478	
Income tax using standard rate of UK corporation tax of 19% (2017 - 20%)	**1,552**	**19.0**	2,096	20.0
Adjustments in respect of overseas tax rates	**341**	**4.2**	126	1.2
Other temporary differences	**(142)**	**(1.7)**	78	0.7
Other items not deductible for tax purposes	**77**	**0.9**	1,155	11.0
Adjustment to current tax in respect of prior periods (UK and overseas)	**(561)**	**(6.9)**	(405)	(3.9)
Adjustments to deferred tax in respect of prior periods (UK and overseas)	**280**	**3.4**	(552)	(5.3)
Foreign taxes expensed in the UK	**118**	**1.4**	-	-
Rate change on deferred tax	**(1,990)**	**(24.4)**	(2)	-
Total income tax (credit) / expense in the consolidated income statement	**(325)**	**(4.1)**	2,496	23.7

On 22 December 2017 the Tax Cuts and Jobs Act in the USA was substantively enacted and reduced the federal corporate income tax rate from 35% to 21%. This reduced the carrying value of the Group’s net USA deferred tax liabilities by £1.990 million with a corresponding tax credit being recognised in the consolidated income statement.

A net tax credit of £0.203 million has been recognised on the exceptional items that are set out in note 8.

Tax on items charged outside of the consolidated income statement -

	2018	2017
	£000	£000
Deferred tax relating to actuarial remeasurement of the defined benefit scheme	**392**	(1,364)
Share based payments	**106**	(149)
Foreign exchange movements	**(138)**	769
Total income tax charged / (credited) to equity	**360**	(744)

11 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 -

	2018	2017
	£000	£000
Profit after tax from continuing operations	**8,492**	7,982
Loss attributable to non-controlling interests	**-**	13
Profit after tax, attributable to equity holders of the parent	**8,492**	7,995

11 Earnings per share continued

	2018 shares	2017 shares
Weighted average number of ordinary shares in the year	**73,210,394**	69,381,504
Effect of share options in issue	**1,296**	1,250
Weighted average number of ordinary shares (diluted) in the year	**73,211,690**	69,382,754

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 -

	2018 £000	2017 £000
Profit after tax, attributable to equity holders of the parent	**8,492**	7,995
Exceptional items		
Rationalisation costs, net of tax	**419**	169
Compensation for loss off office, net of tax	**215**	-
Litigation costs, net of tax	**17**	48
Credit in respect of retirement benefits, net of tax	**-**	(340)
Costs arising on the disposal of surplus properties, net of tax	**(3)**	546
Impairment review of CIT Technology, net of tax	**53**	-
Non-operating exceptional items		
Tax credit resulting from the US Tax Cuts and Jobs Act	**(1,990)**	-
Underlying profit attributable to equity holders of the parent	**7,203**	8,418

The US Tax Cuts and Jobs Act was substantively enacted during the year and reduced the federal corporate income tax rate from 35% to 21%. This resulted in a one-off tax credit to the income statement of £1.990 million.

The following table summarises the earnings per share figures based on the above data -	2018 Pence	2017 Pence
Basic earnings per share - continuing operations	**11.6**	11.5
Basic earnings per share - discontinued operations	**-**	-
Basic earnings per share - total	**11.6**	11.5
Diluted earnings per share - continuing operations	**11.6**	11.5
Diluted earnings per share - discontinued operations	**-**	-
Diluted earnings per share - total	**11.6**	11.5
Underlying earnings per share - basic	**9.8**	12.1
Underlying earnings per share - diluted	**9.8**	12.1

12 Dividends paid and proposed

The directors are not proposing a final dividend for the year ended 31 March 2018.

No interim dividend has been paid after the year end.

13 Intangible assets

	Goodwill £000	Patents and development costs £000	Customer related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 31 March 2016	21,219	29,713	400	1,383	52,715
Additions	-	101	-	269	370
Acquisitions through business combinations	2,967	-	664	101	3,732
Disposals	-	-	-	(3)	(3)
Effect of movements in foreign exchange	1,506	-	(14)	58	1,550
Balance at 31 March 2017	**25,692**	**29,814**	**1,050**	**1,808**	**58,364**
Additions	**-**	**-**	**-**	**350**	**350**
Disposals	**-**	**-**	**-**	**(32)**	**(32)**
Effect of movements in foreign exchange	**(313)**	**-**	**(53)**	**(41)**	**(407)**
Balance at 31 March 2018	**25,379**	**29,814**	**997**	**2,085**	**58,275**
Amortisation					
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**
Amortisation for the year	**-**	**53**	**67**	**161**	**281**
Impairment	**-**	**66**	**-**	**-**	**66**
Disposals	**-**	**-**	**-**	**(31)**	**(31)**
Effect of movements in foreign exchange	**18**	**-**	**(3)**	**(29)**	**(14)**
Balance at 31 March 2018	**1,492**	**29,733**	**493**	**1,246**	**32,964**
Carrying amounts					
At 1 April 2016	19,771	134	-	352	20,257
At 31 March 2017	24,218	200	621	663	25,702
At 31 March 2018	**23,887**	**81**	**504**	**839**	**25,311**

On 31 March 2018 it was decided to cease the maintenance of the Group's intellectual property in respect of CIT Technology's fine line technology. This followed the commencement of bankruptcy proceedings against UniPixel Inc. The remaining intangible assets recognised in respect of this technology were fully impaired at that date.

13 Intangible assets continued

Impairment tests for cash generating units containing goodwill

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

	2018 £000	2017 £000
Technical Plastics	**21,402**	21,837
LED Technologies	**1,088**	1,025
Aerospace	**1,397**	1,356
	23,887	24,218

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 (2018/19 and 2019/20) 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% - 5.1% per annum (2017 - 3.0% - 10.0% per annum) dependent upon the markets served. From year five onwards growth is assumed to lie within the range 1.9% - 4.2% per annum. The cash flows were discounted at pre-tax rates in the range 9.3% - 12.8% (2017 - 8.3% - 15.3%) for Technical Plastics, 10.3% for LED Technologies and 7.9% for 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.

Sensitivity testing of the recoverable amount to reasonably possible changes in key assumptions has been performed. With all other assumptions being unchanged, a 1.5% increase in the discount rate or a 11.5% decrease in profitability would reduce the headroom on the Technical Plastics cash generating unit to nil. Should the discount rate increase further than this or the profitability decrease further then an impairment of the goodwill would be likely.

The valuations of the LED Technologies and Aerospace cash generating units indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

14 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
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**
Additions	**2,722**	**6,553**	**9,275**
Disposals	**-**	**(1,877)**	**(1,877)**
Effect of movements in foreign exchange	**(999)**	**(1,478)**	**(2,477)**
Balance at 31 March 2018	**28,871**	**72,836**	**101,707**
Depreciation and impairment losses			
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**
Depreciation charge for the year	**1,102**	**3,630**	**4,732**
Disposals	**-**	**(1,808)**	**(1,808)**
Effect of movements in foreign exchange	**(300)**	**(726)**	**(1,026)**
Balance at 31 March 2018	**7,451**	**47,810**	**55,261**
Carrying amounts			
At 1 April 2016	17,609	18,988	36,597
At 31 March 2017	20,499	22,924	43,423
At 31 March 2018	**21,420**	**25,026**	**46,446**

At 31 March 2018, properties with a carrying amount of £5.999 million were subject to a registered charge in favour of the group pension scheme (2017 - £6.682 million).

15 Investments

	2018 £000	2017 £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.

16 Inventories

	2018 £000	2017 £000
Raw materials and consumables	**9,749**	10,121
Work in progress	**796**	581
Finished goods	**9,267**	8,548
	19,812	19,250

The value of inventories is stated after impairment for obsolescence and write downs to net realisable value of £1.427 million (2017 - £1.206 million).

17 Trade and other receivables

	2018 £000	2017 £000
Amounts due within one year		
Trade receivables	**19,725**	21,234
Less impairment provision	**(32)**	(18)
	19,693	21,216
Accrued income	**20,996**	11,071
Prepayments	**2,728**	2,987
Other debtors	**3,032**	3,194
	46,449	38,468
Amounts due after one year		
Other debtors and prepayments	**143**	-
	143	-

	2018 £000	2017 £000
The ageing profile of the trade receivables, net of impairment provisions, was as follows –		
Not past due	**15,408**	17,936
Past due 0 – 30 days	**3,838**	2,432
Past due 31 – 60 days	**243**	553
Past due 61 – 120 days	**90**	195
More than 120 days	**114**	100
	19,693	21,216

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.

18 Cash and cash deposits

	2018 £000	2017 £000
Cash at bank and in hand	**12,962**	22,269
	12,962	22,269

19 Non current assets classified as held for sale

	2018 £000	2017 £000
Surplus land and buildings	**200**	200
Net assets held for sale	**200**	200

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. Subsequent to the year end, on 22nd May 2018, these assets were sold for net proceeds of £0.313 million.

20 Interest bearing loans and borrowings

	2018 £000	2017 £000
Current –		
Bank overdrafts	**15,185**	18,888
	15,185	18,888
Non current –		
Bank loans repayable between two and five years	**29,253**	29,406
	29,253	29,406

Bank loans include £29.253 million (2017 - £29,406 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 2018 the gross amount of overdrafts available was £15.987 million (2017 - £10.987 million) of which £6.981 million was utilised at the year end (2017 - £3.746 million) which is net of qualifying cash balances.

At 31 March 2018 the Group had medium term multi-currency revolving loan facilities totalling £30.000 million (2017 - £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 2018 these facilities were drawn to the extent of £29.253 million (2017 - £29.406 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 2018 the gross value of the assets secured, which includes applicable inter company balances, amounted to £58.154 million (2017 - £53.637 million). Excluding inter company balances the value of the security was £42.485 million (2017 - £38.694 million).

Non current loans and borrowings at the start of the period were £29.406 million. During the period foreign exchange gains of £0.903 million were made on non current loans and borrowings used as hedging instruments against the net investment in foreign operations and these were recognised in other comprehensive income. In addition drawings totalling £0.750 million were made from the medium term multi-currency revolving loan facilities during the period. Non current loans and borrowings at the end of the period were £29.253 million.

21 Deferred tax assets and liabilities

Recognised tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018 £000	2017 £000
Assets -		
Property, plant and equipment	**2,808**	3,756
Employee benefits	**5.066**	5,525
Short term timing differences	**175**	246
Share based payments	**212**	321
Tax losses	**470**	484
Deferred tax assets	**8,731**	10,332
Liabilities -		
Intangible assets	**2,407**	4,060
Property, plant and equipment	**1,497**	1,778
Short term timing differences	**166**	302
Deferred tax liabilities	**4,070**	6,140
Net deferred tax asset	**4,661**	4,192

21 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets

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

	2018 £000	2017 £000
Tax losses – overseas	-	34
Tax losses – trading	939	2,452
Tax losses – capital	227	227
Tax losses – non trading	-	36
	1,166	2,749

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse. 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 2018. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2018.

£1.376 million of historical tax losses for which no deferred tax assets were recognised at 31 March 2017 became inaccessable during the period.

£0.219 million of the tax losses recognised at 31 March 2018 are time restricted to 5 years, the remainder are available to carry forward without time restriction.

At 31 March 2018 there were no recognised deferred tax liabilities for taxes that would be deductible on the unremitted earnings of the Group's overseas subsidiary undertakings (2017 - nil) as the Group policy is to continually reinvest in those businesses. If all earnings were remitted it is estimated that £0.852 million of additional tax would be payable (2017 - £0.812 million)

Deferred tax assets and liabilities at 31 March 2018 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 19% to 17% from 1 April 2020; this rate became substantively enacted on 6 September 2016.

On 22 December 2017 the Tax Cuts and Jobs Act in the USA was substantively enacted and reduced the federal corporate income tax rate from 35% to 21%. This reduced the carrying value of the Group's net USA deferred tax liabilities by £1.990 million with a corresponding tax credit being recognised in the consolidated income statement.

	Balance as at 1 Apr 17 £000	Recognised on acquisition £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 18 £000
Property, plant and equipment	1,978	-	(667)	-	1,311
Intangible assets	(4,060)	-	1,497	156	(2,407)
Employee benefits	5,525	-	(67)	(392)	5,066
Share based payments	321	-	(3)	(106)	212
Short term timing differences	(56)	-	65	-	9
Tax losses	484	-	(14)	-	470
	4,192	-	811	(342)	4,661

	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

22 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 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 2019 is £1.238 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 2018. 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 a 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 72.5% 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 60% 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 strategy includes investing in liability-driven investments which will move with inflation expectations and hedge approximately 70% of total inflation linked liabilities. The growth assets held are expected to provide protection over inflation in the long term. Approximately 95% 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 -	**2018** **£000**	2017 £000
Present value of funded obligations	**(199,883)**	(209,448)
Fair value of scheme assets	**170,085**	176,945
Recognised liability for defined benefit obligations	**(29,798)**	(32,503)

22 Retirement benefit obligations continued

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 £34.064 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.

Movements in the net liability for defined benefit obligations recognised in the consolidated statement of financial position -	**2018 £000**	2017 £000
Net liability for defined benefit obligations at the start of the year	**(32,503)**	(23,216)
Contributions paid	**1,227**	1,169
Net expense recognised in the consolidated income statement (see below)	**(830)**	(382)
Remeasurement gains / (losses) recognised directly in equity	**2,308**	(10,074)
Net liability for defined benefit obligations at the end of the year	**(29,798)**	(32,503)

Movements in the present value of defined benefit obligations -	**2018 £000**	2017 £000
Defined benefit obligation at the start of the year	**209,448**	196,925
Interest expense	**5,285**	6,634
Actuarial losses / (gains) due to scheme experience	**334**	(481)
Actuarial (gains) due to changes in demographic assumptions	**-**	(4,607)
Actuarial (gains) / losses due to changes in financial assumptions	**(2,756)**	26,236
Benefits paid	**(12,428)**	(14,849)
Liabilities extinguished on settlements	**-**	(410)
Defined benefit obligation at the end of the year	**199,883**	209,448

The Scheme liabilities are split between active, deferred and pensioner members at 31 March as follows -	**2018 %**	2017 %
Deferred	**35**	44
Pensioners	**65**	56
	100	100

Movements in the fair value of Scheme assets -	**2018 £000**	2017 £000
Fair value of Scheme assets at the start of the year	**176,945**	173,709
Interest income	**4,455**	5,842
Return on Scheme assets excluding interest income	**(114)**	11,074
Contributions by employer	**1,227**	1,169
Benefits paid	**(12,428)**	(14,849)
Fair value of Scheme assets at the end of the year	**170,085**	176,945
Actual return on Scheme assets	**4,341**	16,916

The fair value of Scheme asset investments was as follows -	**2018 £000**	2017 £000
Diversified Growth Funds	**130,537**	148,567
Bonds and Liability Driven Investments	**39,033**	28,341
Cash	**515**	37
	170,085	176,945

22 Retirement benefit obligations continued

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.

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 -	**2018** **£000**	2017 £000
Past service gain from settlements	**-**	(410)
Net interest on the net defined benefit liability	**830**	792
	830	382

The expense is recognised in the following line items in the consolidated income statement -	**2018** **£000**	2017 £000
Credited to exceptional items	**-**	(410)
Other finance revenue and expense - net interest on the net defined benefit liability	**830**	792
	830	382

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

	2018	2017
Discount rate at 31 March	**2.70%**	2.60%
Future salary increases	**N/A**	N/A
Inflation (RPI)	**3.45%**	3.45%
Inflation (CPI)	**2.35%**	2.35%
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.35%**	3.35%
Allowance for pension in payment increases of CPI or 3% p.a. if less	**2.35%**	2.35%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 3% p.a.	**3.45%**	3.45%
Allowance for pension in payment increases of RPI or 5% p.a. if less, minimum 4% p.a.	**4.15%**	4.15%

The mortality assumptions adopted at 31 March 2018 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 -

	2018	2017
Life expectancy for a male (current pensioner) aged 65	**18.3 years**	18.1 years
Life expectancy at 65 for a male aged 45	**19.5 years**	19.1 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2017 - 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 -

	2018 **%**	**2018** **£000**	2017 %	2017 £000
Discount rate [1]				
Decrease of 0.25% per annum	**3.50%**	**6,996**	3.50%	7,331
Decrease of 1.0% per annum	**14.6%**	**29,183**	14.6%	30,579
Inflation [2]				
Increase of 0.25% per annum	**1.90%**	**3,798**	1.90%	3,980
Increase of 1.0% per annum	**8.00%**	**15,991**	8.00%	16,756
Life expectancy				
Increase of 1 year	**3.60%**	**7,196**	3.30%	6,912

[1] At 31 March 2018, the assumed discount rate is 2.70% (2017: 2.60%).

[2] At 31 March 2018, the assumed rate of RPI inflation is 3.45% and CPI inflation 2.35% (2017: RPI 3.45% 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.

22 Retirement benefit obligations continued

The weighted average duration of the defined benefit obligation at 31 March 2018 is 14 years (2017: 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 Scheme from changes in life expectancy.

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

The history of the Scheme's deficits and experience gains and losses is shown in the following table -	**2018 £000**	2017 £000
Present value of funded obligation	**(199,883)**	(209,448)
Fair value of scheme asset investments	**170,085**	176,945
Recognised liability for defined benefit obligations	**(29,798)**	(32,503)
Actual return on scheme assets	**4,341**	16,916
Actuarial (losses) / gains due to scheme experience	**(334)**	481
Actuarial gains due to changes in demographic assumptions	**-**	4,607
Actuarial gains / (losses) due to changes in financial assumptions	**2,756**	(26,236)

23 Provisions

	2018			2017		
	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	**8**	**685**	**693**	577	43	620
Provision established in the period	**-**	**-**	**-**	-	685	685
Provisions used in the period	**(8)**	**(201)**	**(209)**	(569)	(43)	(612)
Provisions at the end of the year	**-**	**484**	**484**	8	685	693
Non-current	**-**	**323**	**323**	-	440	440
Current	**-**	**161**	**161**	8	245	253
	-	**484**	**484**	8	685	693

£0.040 million of the £0.075 million provision carried forward at 31 March 2017 in respect of the closure of the Harthill, Scotland site was used in the period. £0.125 million of the £0.610 million provision carried forward in respect of exit costs for a site leased by a legacy Group business was used in the period.

24 Trade and other payables - falling due within one year

	2018 £000	2017 £000
Trade payables	**17,274**	14,527
Other taxes and social security costs	**2,818**	2,594
Other creditors	**4,867**	4,305
Accruals	**3,354**	4,261
	28,313	25,687

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

	2018 £000	2017 revised* £000
Other creditors	**208**	15
	208	15

* Information relating to the revision of the comparative figure can be found in note 3.

26 Ordinary share capital

Ordinary shares of 5 pence each -	**Number of shares**	£000
Issued and fully paid at 31 March 2017	73,007,668	3,650
Shares issued on exercise of share options	279,250	14
Issued and fully paid at 31 March 2018	**73,286,918**	**3,664**

26 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	13 July 2015	459,000	nil	13 July 2018
	13 July 2016	466,000	nil	13 July 2019
	14 July 2017	**473,000**	**nil**	**14 July 2020**

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 -	**2018**	2017
	14 July 2017 Award	13 July 2016 Award
Performance share plan		
Fair value at grant date	**114p**	110p
Share price at grant date	**159p**	140p
Exercise price	**0.0p**	0.0p
Expected volatility	**48.63%**	53.25%
Expected dividend yield	**0.20%**	0.65%

The performance share plan award issued on 14 July 2017 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 2020 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 credit of £0.040 million (2017 - charge of £0.451 million).

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

	2018		2017	
	Weighted average exercise price pence	**Number of shaers**	Weighted average exercise price pence	Number of shares
Outstanding at 1 April	**0.1**	**1,511,000**	3.9	1,310,000
Lapsed during the period	**-**	**(304,750)**	-	(101,500)
Exercised during the period	**-**	**(279,250)**	30.1	(163,500)
Granted during the period	**-**	**473,000**	-	466,000
Outstanding at the end of the period	**0.1**	**1,400,000**	0.1	1,511,000
Exercisable at 31 March		**2,000**		2,000
Weighted average remaining life at 31 March		**2 months**		14 months

The weighted average share price at the date of exercise for the share options exercised in the year to 31 March 2018 was 168.00 pence (2017 - 148.26 pence).

27 Reserves

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 2018 the plan held 3,077 shares (2017 - 3,077 shares).

28 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 £9,006 million at 31 March 2018 (2017 - £7.241 million) which are available to mitigate any liquidity risk.

The maximum exposure to credit risk as at 31 March was –	**2018** **£000**	2017 £000
Quoted investments	**7**	7
Trade receivables, net of attributable impairment provisions	**19,693**	21,216
Cash and cash deposits	**12,962**	22,269
	32,662	43,492

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.

	2018 **£000**	2017 £000
United Kingdom	**5,222**	6,072
Rest of Europe	**5,332**	5,690
North America	**5,777**	5,446
Rest of world	**3,362**	4,008
Trade receivables, net of attributable impairment provisions	**19,693**	21,216

28 Financial instruments continued

Interest rate risk

The Group's borrowings are on floating rate terms. In the year to 31 March 2018, 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 2018	**Floating rate interest payable £000**
Sterling	**30,207**
US dollar	**7,625**
Euro	**6,606**
Other	**-**
	44,438
As at 31 March 2017	
Sterling	33,359
US dollar	8,460
Euro	6,475
Other	-
	48,294

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

As at 31 March 2018	**Floating rate interest receivable £000**	**No interest receivable £000**	**Total £000**
Sterling	**772**	**11**	**783**
US dollar	**5,490**	**1**	**5,491**
Euro	**4,851**	**2**	**4,853**
Other	**1,810**	**25**	**1,835**
	12,923	**39**	**12,962**

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

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 20, at 31 March 2018 the Group has committed term loan facilities of £30.000 million (2017 - £30.000 million). In addition, the Group has overdraft facilities totalling £15.987 million (2017 - £10.987 million). The Group's net debt at 31 March 2018 was £31.476 million (2017 - £26.025 million), comfortably within the available facilities.

28 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 –

	2018		2017	
	Less than 6 months £000	**6 - 12 months £000**	Less than 6 months £000	6 - 12 months £000
Assets	**1,143**	**-**	1,966	-
Liabilities	**-**	**-**	-	-
	1,143	**-**	1,966	-

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 2018					
Trade receivables, net of attributable impairment provisions	**7,667**	**6,478**	**3,143**	**2,405**	**19,693**
Trade payables	**(5,088)**	**(6,694)**	**(5,072)**	**(420)**	**(17,274)**
Net	**2,579**	**(216)**	**(1,929)**	**1,985**	**2,419**
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

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

	Average rate		Reporting date mid-market rate	
	2018	2017	**2018**	2017
Sterling / US dollar	**1.33**	1.29	**1.40**	1.25
Sterling / Czech koruna	**29.4**	32.4	**28.8**	31.7
Sterling / Chinese renminbi	**8.78**	8.78	**8.80**	8.63
Sterling / Euro	**1.13**	1.19	**1.14**	1.17
Sterling / Indian rupee	**85.5**	87.0	**91.0**	81.2

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 2018 and 31 March 2017. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2018 were insignificant.

28 Financial instruments continued

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. In the year ended 31 March 2018, 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 £0.554 million (2017 – £0.299 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 £1.203 million for the year ended 31 March 2018 (2017 – £1.329 million decrease) which is detailed by currency in the following table –

	2018 £000	2017 £000
US dollar	**648**	614
Euro	**314**	390
Czech koruna	**98**	154
Other	**143**	171
	1,203	1,329

Capital risk management

The capital structure of the Group consists of net debt (borrowings as detailed in note 20 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 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.

29 Cash generated from operations

	2018 £000	2017 £000
Operating profit	**9,907**	11,957
Adjustments for -		
Pension fund contributions in excess of service costs	**(1,227)**	(1,169)
Depreciation charge	**4,732**	4,535
Amortisation of intangible assets	**281**	149
Exceptional impairment of intangible assets, arising on rationalisation of business	**66**	-
Loss on disposal of other plant and equipment	**22**	37
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	**(209)**	(612)
Share based payment charge	**(40)**	452
Operating cash flow before changes in working capital	**13,532**	15,624
Changes in working capital (excluding the effects of acquisitions of subsidiaries)		
Increase in inventories	**(1,218)**	(2,044)
Increase in trade and other receivables	**(8,842)**	(9,225)
Increase in trade and other payables	**2,785**	4,561
Cash generated from operations	**6,257**	8,916

30 Financial commitments

	2018	2017
	£000	£000
(a) The directors have authorised the following future capital expenditure which is contracted -	**411**	334

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

	2018	2017
	£000	£000
within one year	**2,017**	1,904
within two to five years	**6,275**	4,923
more than five years	**1,732**	1,705
	10,024	8,532

31 Related parties

Identity of related parties

The group has a related party relationship with its subsidiaries (see note 32), 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 42 to 59.

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. 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 £0.713 million which has been charged to the Consolidated Income Statement (2017 - £0.636 million).

32 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	**2018 %**	2017 %
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
Tru-Grit Limited	*	UK	Ordinary	**100**	100

32 Group entities continued

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
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
Wipac Czech s.r.o. (formerly FLTC (Europe) a.s.)	Hrusovska 3203/13a, 702 00 Moravská Ostrava	Czech Republic	Ordinary	**100**	0
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	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible asset	34	**374**		265	
Investment in subsidiary undertakings	35	**100,854**		102,266	
			101,228		102,531
Current assets					
Debtors - amounts falling due within one year	36	**90,936**		107,643	
Debtors - amounts falling due after more than one year	36	**4,214**		4,848	
Cash at bank and in hand		**1,813**		2,278	
		96,963		114,769	
Creditors - amounts falling due within one year					
Trade and other creditors	37	**109,432**		122,012	
		109,432		122,012	
Net current liabilities			**(12,469)**		(7,243)
Total assets less current liabilities			**88,759**		95,288
Creditors - amounts falling due after more than one year	38		**(29,253)**		(29,406)
Net assets excluding pension liability			**59,506**		65,882
Pension liability	40		**(29,798)**		(32,503)
Total net assets			**29,708**		33,379
Capital and reserves					
Called up share capital	26		**3,664**		3,650
Share premium account			**7,359**		7,359
Profit and loss account	41		**18,685**		22,370
Shareholders' funds			**29,708**		33,379

These accounts were approved by the board of directors on 5 June 2018 and were signed on its behalf by -

Michael Derbyshire
Chris Malley } directors

6 June 2018

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
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	7,539	22,370	33,379
Balance at 1 April 2017	**3,650**	**7,359**	**22,370**	**33,379**
Loss for the period	-	-	(5,035)	(5,035)
Other comprehensive income -				
Remeasurement gains on defined benefit scheme	-	-	2,150	2,150
Taxation on items above	-	-	(392)	(392)
Total comprehensive income for the period	-	-	(3,277)	(3,277)
Transactions with owners recorded directly in equity -				
Share based payments	-	-	(40)	(40)
Exercise of share options	14	-	(262)	(248)
Taxation on items recorded directly in equity	-	-	(106)	(106)
Balance at 31 March 2018	3,664	7,359	18,685	29,708

33 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 FRS 101 available in respect of the following disclosures:
- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 46.

The company has adopted the following IFRSs in these financial statements:
Amendments to IAS 12: Recognition of Deferred Tax, Assets for unrealised losses;
Annual Improvements to IFRS standards 2014 - 2016 cycle; and
Amendments to IAS 7: Disclosure Initiative.

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

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

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

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

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

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

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

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

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.

33 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 service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

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

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

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

h) Foreign currency

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

i) Financial instruments

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

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

j) Share based payments

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

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a correspond ing 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.

33 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 pay able 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 26 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.

34 Tangible fixed assets

	Plant and equipment £000
Cost	
Balance at 31 March 2017	**1,194**
Additions	**177**
Disposals	**-**
Balance at 31 March 2018	**1,371**
Depreciation and impairment losses	
Balance at 31 March 2017	**929**
Depreciation charge	**68**
Disposals	
Balance at 31 March 2018	**997**
Carrying amounts	
At 31 March 2017	265
At 31 March 2018	**374**

35 Fixed asset investments

	Shares in group undertakings £000
Cost	
Balance at 31 March 2017	151,872
Additions	-
Disposals	-
Balance at 31 March 2018	**151,872**
Provisions	
Balance at 31 March 2017	49,606
Impairment losses	1,412
Disposals	-
Reversal of past impairments	-
Balance at 31 March 2018	**51,018**
Net book value	
At 31 March 2017	102,266
At 31 March 2018	**100,854**

During the year the company provided £1.412 million against its investment in CIT Technology Limited, a wholly owned English subsidiary.

A list of subsidiary undertakings is given in note 32 to the Group financial statements.

36 Debtors

	2018 £000	2017 £000
Debtors - amounts falling due within one year -		
Amounts owed by group undertakings	**84,944**	100,963
Other debtors	**377**	506
Prepayments and accrued income	**96**	127
Taxation recoverable	**-**	69
Deferred tax assets (see note 39)	**5,519**	5,978
	90,936	107,643
Debtors - amounts falling due after more than one year -		
Amounts owed by group undertakings	**4,214**	4,848

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

	2018 £000	2017 £000
Bank overdrafts	**11,308**	15,416
Trade creditors	**2**	32
Taxation and social security	**84**	57
Accruals and deferred income	**633**	1,077
Amounts owed to group undertakings	**97,405**	105,430
	109,432	122,012

The bank overdrafts are predominantly in sterling and bear interest at 1.75% above prevailing UK bank base rates. At 31 March 2018 the gross amount of overdrafts available was £15.987 million (2017 - £10.987 million) of which £6.981 million was utilised at the year end (2017 - £3.746 million) which is net of qualifying cash balances. The overdraft facilities have been extended to £18.000 million subsequent to the year-end.

38 Creditors – amounts falling due after more than one year

	2018 £000	2017 £000
Bank loans	**29,253**	29,406
	29,253	29,406

Bank loans include £29.253 million (2017 - £29.406 million) secured on the assets of the Group.

At 31 March 2018 the Group had medium term multi-currency revolving loan facilities totalling £30.000 million (2017 - £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 2018 these facilities were drawn to the extent of £29.253 million (2017 - £29.406 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 2018 the gross value of the assets secured, which includes applicable inter company balances, amounted to £58.154 million (2017 - £53.637 million). Excluding inter company balances the value of the security was £42.485 million (2017 - £38.694 million).

39 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Deferred tax assets and liabilities are attributable to the following -						
Employee benefits	**5,066**	5,525	-	-	5,066	5,525
Tangible fixed assets	**131**	119	-	-	131	119
Other	**322**	334	-	-	322	334
Tax assets / (liabilities)	**5,519**	5,978			5,519	5,978
Net of tax (liabilities) / assets	-	-	-	-	-	-
Net tax assets / (liabilities)	**5,519**	5,978	-	-	5,519	5,978

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

	2018	2017
	£000	£000
Tax losses - trading	**940**	940
Tax losses - capital	**227**	227
	1,167	1,167

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 2018. Similarly non trading losses will only be utilised against future non trading profits. No such non trading profits are foreseen at 31 March 2018

The tax losses at 31 March 2018 are available to carry forward without time restriction.

Movement in deferred tax during the year -

	Balance as at 1 Apr 17 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance as at 31 Mar 18 £000**
Employee benefits	**5,525**	**(67)**	**(392)**	**5,066**
Tangible fixed assets	**119**	**12**	**-**	**131**
Other	**334**	**94**	**(106)**	**322**
	5,978	**39**	**(498)**	**5,519**

Movement in deferred tax during the prior 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

40 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 22 of the Group financial statements.

41 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 2018 the plan held 3,077 shares (2017 - 3,077 shares). The original cost of these shares was £0.003 million (2017 - £0.003 million). The cost of the shares has been charged against the profit and loss account.

42 Operating leases

Non-cancellable operating lease rentals are payable as follows –

	Land and buildings		Other	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Less than one year	**35**	35	16	21
Between one and five years	**140**	67	26	9
Over five years	**35**	**-**	-	-
	210	102	42	30

During the year £0.061 million was recognised as an expense in the profit and loss account in respect of operating leases (2017 - £0.060 million).

43 Contingent liabilities

The Company has entered into cross guarantee arrangements relating to the bank borrowings of its UK and India subsidiary operations. The maximum obligations under these arrangements at 31 March 2018 was £2.485 million (2017 - £3.561 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.

44 Profit and loss account

The loss after tax for the year dealt with in the accounts of the Company amounts to £5.035 million (2017 - profit of £23.239 million) which, after dividends of £0.000 million (2017 - £0.596 million), gives a retained loss for the year of £5.035 million (2017 - retained profit of £22.651 million).

45 Related parties

The Company has a related party relationship with its subsidiaries (see note 32), 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 31 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 42 to 59.

46 Accounting estimates and judgements

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

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

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

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

Pension assumptions

The 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 22.

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 21.

FIVE YEAR SUMMARY

	2018	2017 revised	2016	2015	2014
	£000	£000	£000	£000	£000
Revenue	**146,214**	138,282	118,974	107,503	97,267
Underlying operating profit	**10,811**	12,498	10,034	7,789	6,551
Non recurring items	**(904)**	(541)	(4,857)	(31,668)	(520)
Profit before financing costs	**9,907**	11,957	5,177	(23,879)	6,031
Net financing charge	**(1,740)**	(1,479)	(1,282)	(666)	(1,260)
Profit before tax	**8,167**	10,478	3,895	24,545	4,771
Overseas sales as a percentage of total sales	**72.0%**	70.2%	66.7%	68.0%	69.1%
Underlying operating margin	**7.4%**	9.0%	8.4%	7.2%	6.7%
Net margin	**5.6%**	7.6%	3.3%	-22.8%	4.9%
Tax rate	**-4.1%**	23.7%	43.8%	7.2%	24.8%
Earnings per share	**11.6p**	11.5p	3.3p	-33.2p	5.5p
Underlying earnings per share	**9.8p**	12.1p	10.1p	7.9p	6.1p
Dividend per share	**0.00p**	0.00p	0.90p	2.75p	2.65p
Non current assets	**80,638**	79,464	66,660	66,065	86,686
Net current assets excluding cash, bank and finance leases	**37,256**	29,922	20,211	16,705	12,192
Net debt	**(31,476)**	(26,025)	(24,750)	(24,518)	(17,680)
Other non current liabilities	**(34,399)**	(39,098)	(29,254)	(16,899)	(6,642)
Total shareholders' funds	**52,019**	44,263	32,867	41,353	74,556
Post tax return on shareholders' funds	**16.3%**	18.1%	6.7%	-55.1%	4.8%
Gearing (excluding net pensions balance)	**41.0%**	36.5%	47.7%	48.0%	23.7%
Assets per share	**71p**	61p	50p	62p	113p
Capital expenditure as a multiple of depreciation	**2.0x**	1.8x	2.2x	1.8x	1.9x
Average number of employees in year	**1,442**	1,418	1,340	1,172	1,112
Added value per employee	**£36,530**	£38,713	£32,772	£35,216	£32,059

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
2009	48½p	150½p	2014	85¼p	292½p
2010	133½p	241½p	2015	87p	169¾p
2011	239p	349p	2016	106¾p	169p
2012	287½p	503p	2017	120p	180p
2013	257p	501p	2018 to date	62½p	130p

(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 2018/19

Annual general meeting 2018	19 July 2018
Interim report for the half year ending 30 September 2019	13 November 2018
Preliminary announcement of the results for the year ending 31 March 2019	4 June 2019

NOTES

carclo

REGISTERED OFFICE: SPRINGSTONE HOUSE, PO BOX 88,
27 DEWSBURY ROAD, OSSETT, WEST YORKSHIRE WF5 9WS

T +44 (0) 1924 268040 F +44 (0) 1924 283226 W www.carclo-plc.com
E investor.relations@carclo-plc.com

Designed & printed by OCW Advertising & Marketing Ltd www.ocw.co.uk