Carclo plc
(“Carclo” or “the Group”)

Preliminary Results for the year ended 31 March 2017

Carclo plc, the leading global manufacturer of fine tolerance parts for the Medical, Industrial, Aerospace and Luxury and Supercar Lighting markets, announces full year results for the year ended 31 March 2017.

Financial Highlights

- Revenue increased by 16.2% to £138.3 million (10% growth at constant currency), reflecting continued strong sales progression across our businesses and a fourth consecutive year of double-digit growth

- Operating profit more than doubled to £12.0 million from £5.2 million

- Divisional underlying* operating profit was £15.9 million (2016: £12.8 million) and Group underlying* operating profit was £12.5 million (2016: £10.0 million), up 24.6% (up 22.0% on a constant currency basis)

- Underlying* operating margin increased by 60bps from 8.4% to 9.0%

- Profit before tax of £10.5 million (2016: £3.9 million); underlying* profit before tax of £11.0 million (2016: £8.8 million), up 25.9%

- Earnings per share increased to 11.5 pence (2016: 3.3 pence); underlying* earnings per share increased to 12.1 pence (2016: 10.1 pence), up 19.8%

Operational Highlights

- Continuing growth in revenue and underlying* operating profit in Technical Plastics, up 24.6% (12.5% at constant currency) and 40% respectively

- Another excellent performance by LED Technologies, once again driven by the Wipac luxury and supercar lighting business; revenue and underlying* operating profit up 7.3% and 9.7% respectively

- Aerospace again generated strong profits and cash flows

- Continued investment in growth opportunities, both organically through the significant expansion of existing facilities and by acquisition, with the purchase of Precision Tool and Die (within the Technical Plastics division) and FLTC (Europe) (within the LED Technologies division)

- Strong order book and momentum into the new financial year

*underlying is defined as before all exceptional items

Commenting on the results, Michael Derbyshire, Chairman said:

“The Group has yet again delivered a strong trading performance during the year, and made excellent progress in implementing its stated strategic objectives. The two acquisitions made during the year are well aligned to our strategy and we have been successful in rapidly integrating both companies into the Group.

Having exited the year with record order intake and pipeline within CTP and with the early delivery of our objective for Wipac of securing a second mid-volume lighting programme, we remain on course to deliver strong improvements in returns over the coming years to our shareholders.”

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A presentation for analysts will be held at **9.30 a.m.** today at the offices of Weber Shandwick, 2 Waterhouse Square, 140 Holborn, London EC1N 2AE.

Notes to Editors

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.

Forward looking statements

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

INTRODUCTION

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

In CTP, revenue, underlying operating profits and margins all increased for a fourth consecutive year; we have continued to increase our geographical footprint and have been successful in expanding our customer base in the key medical device sector. LED Technologies enjoyed another excellent year with a further increase in sales and underlying operating profit; the Wipac luxury and supercar lighting business has continued to generate large numbers of design wins in the luxury supercar segment and we secured a new programme in the mid-volume sports and premium car sector during the financial year.

The Group also successfully completed two acquisitions which will drive further growth. Precision Tool and Die ("PTD") was acquired in October 2016 by the CTP division and, in March 2017, FLTC (Europe) ("FLTC") was acquired to expand the capabilities of the LED Technologies division. These acquisitions, the completed expansions of our CTP facilities in Mitcham, UK and Tucson, US, and the ongoing expansions of our CTP facilities in Bangalore, India and Mitcham, UK and our Wipac facility in Buckingham support our previously stated long term objectives to grow revenue, increase underlying operating profit margins and generate an improved return on investment.

GROUP RESULTS

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

Divisional underlying operating profit was £15.9 million (2016 - £12.8 million) and Group underlying operating profit was £12.5 million (2016 - £10.0 million). Unallocated costs were £3.4 million (2016 - £2.7 million) and this included head office administration costs and expenditure relating to the administration of the Group Pension Scheme, which totalled £0.6 million (2016 - £0.6 million). The increase in unallocated costs was due in part to higher amounts charged in respect of the Group's short term incentive plan reflecting the higher level of Group profitability.

Underlying Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased from £14.0 million to £17.2 million during the year. Group profit before tax was £10.5 million (2016 – £3.9 million).

A total net exceptional charge of £0.5 million (2016 - £4.9 million) primarily reflects property costs relating to previously exited facilities. Closure costs in respect of Carclo Diagnostic Solutions were more than offset by a release in respect of the CIT Technology closure provision. The Group recognised a £0.4 million exceptional credit in respect of a pension liability management exercise completed during the financial year.

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

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

Earnings per share for the year was 11.5 pence (2016 – 3.3 pence). The underlying earnings per share was 12.1 pence (2016 – 10.1 pence).

Net debt and gearing

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

*Underlying cash flow in the year ended 31 March 2016 includes the receipt of a £3.0 million royalty payment in respect of the XSense licensing deal with Uni-Pixel.
***Net debt comprises interest bearing loans and borrowings less cash and cash deposits

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

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

Our capital expenditure programme will continue into the medium term as we capitalise on a strong pipeline of new opportunities across our entire business. However, improvements in free cash flow, resulting from profits generated from recent investments, mean that future capital expenditure will begin to reduce as a proportion of our overall free cash flows.

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

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

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

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

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

Financing

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

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

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

Pensions

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

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

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

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

Acquisitions

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

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

Dividend

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

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

The Board recognises the need to reward shareholders and for them to participate in the growing profitability of the business. Accordingly, we continue to work with our professional advisers to reduce the impact of the Scheme deficit on the Company balance sheet and its distributable reserves. The Board intends to recommence dividend payments in the 2018/19 financial year provided that the level of distributable reserves is sufficient such that a sustainable and regular dividend can be reintroduced.

DIVISIONAL PERFORMANCE

Carclo Technical Plastics ("CTP")

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

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

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

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

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

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

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

As before, all expansions are underpinned by previously awarded customer programmes.

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

Through the acquisition of PTD, CTP extended its reach into a further three of the Top 20 global medical device manufacturers, lifting its coverage to 10 of these manufacturers in total. CTP is increasingly seen by

its customers as a dynamic, well invested and global partner and we have continued to win new technically complex programs that will serve us well into the future.

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

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

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

LED Technologies including Wipac

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

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

Our ability to provide unique custom design and technical plastics manufacturing solutions to our customers, for whom characteristics such as lower weight or higher power efficiency are important, means that we are able to differentiate ourselves from our mainstream competitors. We have achieved successful product launches during the year for customers including Aston Martin and McLaren Automotive.

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

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

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

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

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

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

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

Aerospace

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

EMPLOYEES

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

OUTLOOK

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

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

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

The Board remains confident that its strategies are working and that we are well placed to increase the Group's profitability through the coming years.

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

Consolidated income statement
year ended 31 March

	Notes	2017 £000	2016 £000
Revenue	3	**138,282**	118,974
Underlying operating profit			
Operating profit before exceptional items		**12,498**	10,034
- rationalisation costs	5	**(233)**	65
- litigation costs	5	**(60)**	(64)
- costs arising on the disposal of surplus properties	5	**(658)**	-
- impairment of Carclo Diagnostic Solutions	5	**-**	(4,858)
- credit in respect of retirement benefits	5,8	**410**	-
After exceptional items		**11,957**	5,177
Operating profit	3	**11,957**	5,177
Finance revenue		**170**	17
Finance expense		**(1,649)**	(1,299)
Profit before tax		**10,478**	3,895
Income tax expense		**(2,496)**	(1,708)
Profit after tax		**7,982**	2,187
Attributable to -			
Equity holders of the parent		**7,995**	2,200
Non-controlling interests		**(13)**	(13)
		7,982	2,187
Earnings per ordinary share	6		
Basic		**11.5 p**	3.3 p
Diluted		**11.5 p**	3.3 p

Consolidated statement of comprehensive income
year ended 31 March

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

Consolidated statement of financial position
as at 31 March

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

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

Michael Derbyshire
Robert Brooksbank } directors

6 June 2017

Consolidated statement of changes in equity

	Attributable to equity holders of the company							
	Share capital £000	Share premium £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total Equity £000
Balance at 1 April 2015	3,310	-	3,267	2,254	32,522	41,353	-	41,353
Profit for the period	-	-	-	-	2,200	2,200	(13)	2,187
Other comprehensive income -								
Foreign exchange translation differences	-	-	1,489	-	-	1,489	-	1,489
Remeasurement losses on defined benefit scheme	-	-	-	-	(11,846)	(11,846)	-	(11,846)
Taxation on items above	-	-	(924)	-	1,647	723	-	723
Transactions with owners recorded directly in equity -								
Share based payments	-	-	-	-	471	471	-	471
Dividends to shareholders	-	-	-	-	(1,821)	(1,821)	-	(1,821)
Exercise of share options	1	18	-	-	-	19	-	19
Taxation on items recorded directly in equity	-	-	-	-	292	292	-	292
Balance at 31 March 2016	3,311	18	3,832	2,254	23,465	32,880	(13)	32,867
Balance at 1 April 2016	**3,311**	**18**	**3,832**	**2,254**	**23,465**	**32,880**	**(13)**	**32,867**
Profit for the period	**-**	**-**	**-**	**-**	**7,995**	**7,995**	**(13)**	**7,982**
Other comprehensive income -								
Foreign exchange translation differences	**-**	**-**	**5,271**	**-**	**-**	**5,271**	**-**	**5,271**
Remeasurement losses on defined benefit scheme	**-**	**-**	**-**	**-**	**(10,074)**	**(10,074)**	**-**	**(10,074)**
Taxation on items above	**-**	**-**	**(769)**	**-**	**1,364**	**595**	**-**	**595**
Transactions with owners recorded directly in equity -								
Share based payments	**-**	**-**	**-**	**-**	**451**	**451**	**-**	**451**
Dividends to shareholders	**-**	**-**	**-**	**-**	**(596)**	**(596)**	**-**	**(596)**
Exercise of share options	**8**	**46**	**-**	**-**	**(62)**	**(8)**	**-**	**(8)**
Issue of share capital, net of costs	**331**	**7,295**	**-**	**-**	**-**	**7,626**	**-**	**7,626**
Taxation on items recorded directly in equity	**-**	**-**	**-**	**-**	**149**	**149**	**-**	**149**
Balance at 31 March 2017	**3,650**	**7,359**	**8,334**	**2,254**	**22,692**	**44,289**	**(26)**	**44,263**

Consolidated statement of cash flows
year ended 31 March

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

Notes on the accounts

1. Notes on the preliminary statement

Basis of preparation

Whilst the financial information included in this preliminary statement has been prepared on the basis of the requirements of IFRSs in issue, as adopted by the European Union and effective at 31 March 2017, this statement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full consolidated financial statements on 23 June 2017.

The financial information set out in this preliminary statement does not constitute the company's consolidated financial statements for the years ended 31 March 2017 or 2016, but is derived from those financial statements. Statutory financial statements for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the company's annual general meeting. The auditor, KPMG LLP, has reported on those financial statements; its report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 in respect of the financial statements for 2017 and 2016.

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

The Group meets its day-to-day working capital requirements through its banking facilities. The Group's business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing financial risks to which it is exposed are disclosed in the Group's 2016 Annual Report and Accounts. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

Directors' liability

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

Responsibility statement of the directors in respect of the annual report

We confirm that to the best of our knowledge -

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

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

2. Accounting policies

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting period beginning on or after 1 April 2016. The following new standards and amendments to standards are mandatory and have been adopted for the first time for the financial year beginning 1 April 2016:

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

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

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

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

Annual Improvements to IFRSs 2012 - 2014 Cycle; and

Disclosure Initiative (Amendments to IAS 1).

These standards have not had a material impact on the consolidated financial statements.

2. Accounting policies continued

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

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

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

IFRS 16 Leases (effective date to be confirmed). This new standard will impact the recognition, measurement and disclosure of operating leases. It is 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;

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

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

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

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

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

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

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

3. Segment reporting

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

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

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

The Aerospace segment supplies systems to the manufacturing and aerospace industries.

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

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

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.

Notes on the accounts continued

3. Segment reporting continued

Analysis by business segment

The segment results for the year ended 31 March 2017 were as follows -

	Technical Plastics £000	LED Technologies £000	Aerospace £000	CIT Technology £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement							
Total revenue	**89,428**	**43,628**	**7,049**	**-**	**-**	**(1,823)**	**138,282**
Less inter-segment revenue	**(1,614)**	**(209)**	**-**	**-**	**-**	**1,823**	**-**
Total external revenue	**87,814**	**43,419**	**7,049**	**-**	**-**	**-**	**138,282**
Expenses	**(79,107)**	**(37,534)**	**(5,746)**	**-**	**(3,397)**	**-**	**(125,784)**
Underlying operating profit	**8,707**	**5,885**	**1,303**	**-**	**(3,397)**	**-**	**12,498**
Rationalisation costs	**(354)**	**-**	**-**	**640**	**(519)**	**-**	**(233)**
Costs arising on the disposal of surplus properties	**(658)**	**-**	**-**	**-**	**-**	**-**	**(658)**
Litigation costs	**-**	**-**	**-**	**-**	**(60)**	**-**	**(60)**
Credit in respect of retirement benefits	**-**	**-**	**-**	**-**	**410**	**-**	**410**
Operating profit	**7,695**	**5,885**	**1,303**	**640**	**(3,566)**	**-**	**11,957**
Net finance expense							**(1,479)**
Income tax expense							**(2,496)**
Profit after tax							**7,982**
Consolidated statement of financial position							
Segment assets	**104,279**	**38,182**	**6,505**	**1,364**	**9,942**	**-**	**160,272**
Segment liabilities	**(24,359)**	**(6,160)**	**(753)**	**(86)**	**(84,651)**	**-**	**(116,009)**
Net assets	**79,920**	**32,022**	**5,752**	**1,278**	**(74,709)**	**-**	**44,263**
Other segmental information							
Capital expenditure on property, plant and equipment	**6,412**	**1,622**	**148**	**-**	**-**	**-**	**8,182**
Capital expenditure on computer software	**29**	**45**	**-**	**-**	**195**	**-**	**269**
Capital expenditure on other intangibles	**-**	**101**	**-**	**-**	**-**	**-**	**101**
Depreciation	**3,465**	**886**	**167**	**-**	**17**	**-**	**4,535**
Amortisation of computer software	**30**	**29**	**-**	**-**	**28**	**-**	**87**
Amortisation of other intangibles	**27**	**2**	**-**	**33**	**-**	**-**	**62**

3. **Segment reporting** continued

Analysis by business segment

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

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

3. **Segment reporting** continued

Analysis by geographical segment

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

The geographic analysis was as follows -

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

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

The material components of unallocated segment assets and liabilities are retirement benefit obligation net liabilities of £32.503 million (2016 – net liabilities of £23.216 million) and net borrowings of £42.001 million (2016 - £37.519 million).

One Technical Plastics customer accounted for 16.4% of Group revenues (2016 – 19.3%) and one LED Technologies customer accounted for 14.7% of Group revenues (2016 - 14.5%) and similar proportions of trade receivables. No other customer accounted for more than 10.0% of revenues in the year or prior year.

The unallocated segment relates to central costs and non-trading companies and also includes the Group's development companies, Platform Diagnostics Limited and Carclo Diagnostic Solutions.

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

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

4. Acquisitions of subsidiaries

Acquisitions in the current period

Acquisition of PTD

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

Effect of acquisition

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

PTD's net assets at the acquisition date:	**Recognised values on acquisition £'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
Contingent consideration at fair value	628
Total consideration	5,260
Goodwill	2,949

4. Acquisitions of subsidiaries continued

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

Contingent consideration

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

Acquisition related costs

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

Fair value of net assets acquired

The net assets acquired were recognised at fair value. Fair value adjustments to carrying values were made in respect of the following.

- Property, plant and equipment were recognised at fair value using the market approach with input from a sector expert;
- Intangible assets were recognised at fair value as calculated using the multi-period excess earnings method.

Acquisition of FLTC

On 29 March 2017, the Group acquired all of the shares in FLTC (Europe) a.s. ("FLTC") for £1.040 million, satisfied in cash. PTD provides high precision mould tooling, injection moulding and assembly for the medical device industry. 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.

Effect of acquisition

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

FLTC's net assets at the acquisition date:	**Recognised values on acquisition £'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 workforce 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 administrative expenses in the Group's consolidated statement of comprehensive income.

Fair value 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.

5. Exceptional items

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

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

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

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

See note 8 for details of the credit in respect of retirement benefits recognised during the year.

6. Earnings per share

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

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

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

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

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

6. **Earnings per share** continued

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

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

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

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

	2017	2016
	Pence	Pence
Basic - continuing operations	**11.5**	3.3
Basic - discontinued operations	**0.0**	0.0
Basic – total earnings per share	**11.5**	3.3
Diluted - continuing operations	**11.5**	3.3
Diluted - discontinued operations	**0.0**	0.0
Diluted – total earnings per share	**11.5**	3.3
Underlying earnings per share – basic	**12.1**	10.1
Underlying earnings per share – diluted	**12.1**	10.1

7. **Dividends paid and proposed**

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

	2017		2016	
	£000	**Pence**	£000	Pence
Final dividend for 2014/15	**-**	-	1,258	1.90
Interim dividend for 2015/16	**-**	-	596	0.90
Final dividend for 2015/16	**-**	**-**	-	-
Interim dividend for 2016/17	**-**	**-**	-	-
	-	**-**	1,854	2.80

The directors are not proposing a final dividend for the year ended 31 March 2017. No interim dividend has been paid after the year end.

8. 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 2018 is £1.203 million. In addition and in accordance with the actuarial valuation, the Group has agreed with the Trustees that it will meet expenses of the Scheme and levies to the Pension Protection Fund.

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

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

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

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

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

Notes on the accounts continued

8. Retirement benefit obligations continued

Movements in the present value of defined benefit obligations-

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

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

Movements in the fair value of Scheme assets -

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

The fair value of Scheme asset investments was as follows -

	2017	2016
	£000	£000
Diversified Growth Funds	**148,567**	**162,912**
Bonds and Liability Driven Investments	**28,341**	**9,682**
Cash	**37**	**1,115**
	176,945	173,709

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by the Group. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance. Diversified growth funds are pooled funds investified 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.

8. Retirement benefit obligations continued

The expense recognised in the consolidated income statement was as follows -

	2017 £000	2016 £000
Past service cost and (gain) from settlements	**(410)**	-
Net interest on the net defined benefit liability	**792**	371
	382	371

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

	2017 £000	2016 £000
Credited to exceptional items	**(410)**	-
Other finance revenue and expense - net interest on the net defined benefit liability	**792**	371
	382	371

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

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

	2017	2016
Discount rate at 31 March	**2.6%**	3.5%
Future salary increases	**N/A**	N/A
Inflation (RPI)	**3.45%**	3.00%
Inflation (CPI)	**2.35%**	1.90%
Future pension increases	**1.90%**	1.90%
Life expectancy for a male (current pensioner) aged 65	**18.1 years**	18.4 years
Life expectancy at 65 for a male aged 40	**19.5 years**	20.1 years

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

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

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

9. Ordinary share capital

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

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

During the year 6,631,026 shares were issued in a market placement at a price of 120.0 pence per ordinary share. The shares are fully paid.

10. Cash generated from operations

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