CLO PLC 196249.

The directors submit their eighty second annual report together with the accounts for the year ended 31 March 2005.

Principal activities

The group's activities are shown on page 53.

Review of the business, events since the year end, and future developments

The statutory information required concerning the review of the business, events since the year end and future developments is contained in the chairman's statement and in the chief executive's and finance director's reviews on pages 2 to 19.

Profits and earnings

The profit of the group before taxation after charging net interest of £1,512,000 (2004 – £1,331,000) amounted to £1,681,000 compared with a loss of £6,654,000 for the previous year. After taxation the profit per ordinary 5 pence share was 3.9 pence compared with a loss of 8.4 pence for the previous year.

Dividends

The directors recommend that a final dividend of 0.8 pence be paid (2004 – 0.8 pence), making a total dividend for the year of 1.2 pence (2004 – 1.2 pence).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. If an employee becomes disabled he or she continues to be employed, wherever possible, in the same job. If the degree of disablement makes this impracticable, every effort is made to find suitable alternative employment and to give appropriate training. The group's policy on training and career progression applies equally to everyone within the group, whether or not he or she is disabled.

Employee consultation

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed of matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, circulation of the annual accounts and a periodic newsletter for employees. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interest.

Donations

During the financial year the group gave £nil for United Kingdom charitable purposes (2004 – £75) and made no political donations.

Suppliers

It is the company's and group's policy to abide by the terms of payment agreed with suppliers in respect of all goods and services properly invoiced to the company and group. The terms may be the suppliers' standard terms or such other agreed terms for specific transactions as appropriate. The number of days purchases in creditors at 31 March 2005 for the holding company was 19.

Shareholders

At 31 March 2005 the company had 2,160 ordinary shareholders. Their holdings are analysed as follows:

Number of shares	Number of shareholders	% of shareholders	% of shares in issue
1 – 25,000	2,091	97	25
25,001 – 100,000	30	1	3
100,001 – 500,000	22	1	11
over 500,000	17	1	61
	2,160	100%	100%

Category of shareholders	% of shares in issue
Institutions	72
Directors	1
Others	27
	100%

Substantial holdings

The directors are aware of the following holdings of the company's issued ordinary share ca

Hermes Pension Management	5,400,000	10.41%
Tweedy Browne & Co.	5,266,708	10.15%
Henderson Global Investors	5,036,666	9.71%
Schroder Investment Management	3,845,712	7.41%

Directors' report
continued

Directors

The directors at the date of this report are listed on page 20.

G M Kennedy and I Williamson retire by rotation and, being eligible, offer themselves for re-election.

R J Brooksbank was appointed a director on 1 April 2004 and C N Hutton was appointed a director on 1 July 2004.

Biography of directors proposed for re-election

George Kennedy C.B.E. Age 64

A non executive director since June 1993, he was formerly a non executive director of Arthur Lee & Sons plc. He was appointed group chairman and chairman of the nomination committee on 1 January 1997. He was formerly an executive director of Smiths Industries PLC and chairman of its medical system companies. He is a non executive director of Vernalis Group plc and Isotron plc.

Ian Williamson Age 54

A director since 19 June 1995, he was appointed chief executive with effect from 1 July 1995. He was formerly chief executive of the engineering division of BBA Group PLC.

Biographies of other directors

Barbara Richmond Age 44

A non executive director and chairman of the audit committee from 1 January 2000, she was appointed senior independent director in 2003. She has been the finance director of Croda International Plc since 1997 and was formerly finance director of Whessoe PLC. She is also a non executive director of Scarborough Building Society.

Christopher Ross Age 60

A non executive director and chairman of the remuneration committee from 4 September 2003. He is a chartered engineer and chairman of Dunn-Line plc, deputy chairman of Manganese Bronze Holdings plc and a non executive director of Antonov plc, Icona Solutions Limited and Lander Holdings Limited. He was formerly chief executive at Molins plc, Ricardo plc and Wagon Automotive Limited.

Robert Brooksbank Age 39

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

Noel Hutton Age 55

Joined the group as a non executive director on 1 July 2004. After qualifying as a solicitor in 1973 he joined Hammonds in 1975. He specialised in corporate finance and was a senior equity partner before retiring in May 2004. He is currently a non executive director of Skipton Building Society and Hammond Support Systems Limited.

Interests of directors

Details of the interests of directors in the ordinary share capital of the company are included in the directors' remuneration report on pages 27 to 30.

Going concern

After reviewing current performance and detailed forecasts, taking into account available bank facilities and making further enquiries as considered appropriate, the directors are satisfied that the group has reasonable resources to enable it to continue in business for the foreseeable future. For this reason the directors believe it is appropriate to continue to adopt the going concern basis in preparing the accounts.

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 health, safety and environment manager to:

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

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

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

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

Explanation of business of the annual general meeting 2005

a) The directors' remuneration report is required to be laid before the shareholders in general meeting and approved by ordinary resolution of the shareholders. The report can be found on pages 27 to 30 of the company's annual report 2005 (resolution 2).

b) The biographies of those directors retiring at the annual general meeting who wish to seek re-election is contained on page 22 of the directors' report (resolutions 4A and 4B).

c) Ernst & Young LLP have notified the company of their intention not to seek re-appointment as the company's auditors at the forthcoming annual general meeting. A resolution to appoint KPMG LLP as the company's auditors will be put to the members at the annual general meeting (resolution 5A).

d) Under the company's articles of association the directors have the power to allot shares, in accordance with section 80 of the Companies Act 1985, with the authority of an appropriate shareholders' resolution. Hence, a resolution will be proposed at the annual general meeting authorising the directors to allot ordinary shares of up to £864,716 nominal amount (equivalent to one third of the present issued ordinary share capital) (resolution 6).

e) Under the company's articles of association the directors have the power, in accordance with section 89 of the Companies Act 1985, to allot shares for cash, other than by way of a rights issue, with the authority of an appropriate shareholder's resolution. Hence, a resolution will be proposed at the annual general meeting authorising the directors to allot ordinary shares of up to £129,707 in nominal amount for cash (being approximately 5% of the current issued ordinary share capital) (resolution 7).

f) Under its articles of association the company may, with the authority of an appropriate shareholders' resolution, purchase its own shares. The directors are seeking authority from shareholders for the company to effect such purchases (resolution 8).

Any such purchase would be made "on-market" (ie on the London Stock Exchange in the normal way). The authority being sought would be limited to a maximum of 5,188,297 ordinary shares (10% of the present issued ordinary share capital).

As set out in the articles of association of the company:

(i) the maximum price which may be paid for each ordinary share is 5% above the average of the middle market quotations for an ordinary share as taken from the Stock Exchange Daily Official List for the ten business days preceding the date of the contract to purchase such share; and

(ii) the minimum price shall be the nominal value of the ordinary share.

There were outstanding at 13 June 2005, options to subscribe for 2,324,000 ordinary shares, representing 4.5% of the current issued share capital. If the full share repurchase authority were utilised, the options outstanding would represent 4.7% of the issued share capital.

Shareholders should be assured that your directors will only exercise the power of purchase after careful consideration and being satisfied that, after taking account of other investment opportunities, such purchase would be in the interests of shareholders by increasing future earnings per share.

Shares purchased will, as required by the Companies Act 1985, be cancelled and will not be available for reissue or resale. Details of any purchases will be notified to the stock exchange and will appear in the next annual report of the company. During the year, no shares were purchased under the authority given at the 2004 annual general meeting.

Resolutions to implement the above authorities will be found in the notice of general meeting on page 57 and the authorities would last until the annual general meeting in 2006 or on 1 December 2006, whichever is the earlier.

g) Under its articles of association, and subject to provisions of the Companies Act 1985, the company may by special shareholders' resolution reduce its share capital, share premium account or other undistributable reserve. As noted in the finance director's review on page 17 the directors are seeking shareholder approval (resolution 9) to reduce the share premium account by £41,772,237 in order to mitigate the impact on distributable reserves of implementing the new International Accounting Standards.

h) The directors are also seeking authority from the shareholders to amend the borrowing powers contained in the company's articles of association to reflect the impact of the new International Accounting Standards on the company's accounts (resolution 10).

Further details of resolutions 9 and 10 are summarised in the circular letter to shareholders dated 24 June 2005, accompanying the notice convening the annual general meeting.

The directors believe that the adoption of all the resolutions set out in the notice of meeting dated 24 June 2005 is in the best interests of the company and its shareholders as a whole. Accordingly, the directors unanimously recommend that you vote in favour of the resolutions, as they intend to do in respect of their beneficial holdings.

By order of the board

Eric Cook
Secretary

13 June 2005

Statement of Corporate Governance

Combined Code

The company remains committed to the highest standards of corporate governance and manages its affairs in accordance with the 2003 FRC Combined Code on Corporate Governance ("the Combined Code") published in July 2003. The company has complied throughout the year with the provisions set out in the Combined Code except where noted on page 26. This statement, together with the directors' remuneration report, describes how the company has applied the main principles of the Combined Code.

The Board

The board comprises the non executive chairman, the chief executive, the executive finance director and three other non executive directors, including Barbara Richmond who has been nominated senior independent director. The chairman has served on the board for more than nine years and, as chairman of the company, is deemed by the Combined Code not to be an independent director. It is the board's opinion that all the other non executive directors were independent in accordance with the Code. Under the company's articles of association, all directors must offer themselves for re-election at least once every three years. The chairman and I Williamson were re-elected at the 2002 AGM and consequently retire by rotation at this year's AGM and offer themselves for re-election. The biographies of the directors appear on page 22.

The roles of chairman and chief executive are held by separate directors with a clear division of responsibilities between them. All directors have access to the advice and services of the secretary, Eric Cook, who is responsible to the board for ensuring the proper conduct of board procedures and compliance with appropriate regulations. The appointment and removal of the secretary is a matter for the board as a whole. The board meets regularly (at least ten 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		Nomination		Remuneration		Audit	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
G M Kennedy	10	10	2	2	4	4	3	3
C N Hutton	*6	5	*1	1	*1	1	*2	2
B M Richmond	10	10	2	2	4	4	3	3
C G Ross	10	9	2	2	4	4	3	3
I Williamson	10	10	–	–	–	–	–	–
R J Brooksbank	10	10	–	–	–	–	–	–

* from date of appointment to respective committee

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). The chairman together with the chief executive establish the agenda for each board meeting. Briefing papers are distributed by the secretary to all directors in advance of board meetings. The directors are authorised to obtain independent advice as required.

Where appropriate, matters are delegated to the following board and executive committees. The terms of reference of the board committees are posted on the company's website.

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. The nomination committee is assisted by recruitment consultants as appropriate and meets candidates short listed for appointment before recommending an appointment to the board.

During the year the committee met twice to consider the appointment of Noel Hutton as an additional non executive director and to identify a successor to George Kennedy as chairman of the company. The latter exercise is being co-ordinated by Barbara Richmond with assistance provided by an external search consultancy, Spencer Stuart.

The nomination committee also undertook a general review of the balance of skills, knowledge and experience on the board together with succession planning.

Remuneration committee

As required by the Combined Code the company has established a remuneration committee consisting entirely of independent non executive directors. The remuneration committee meets at least three times a year and is chaired by Christopher Ross. 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 27 to 30 sets out the group's remuneration objectives and policy and includes full details of directors' remuneration in accordance with the provision of Schedule B to the Combined Code. A resolution will be proposed at the AGM to approve the directors' remuneration report.

Audit committee

The audit committee, which is chaired by Barbara Richmond, comprises all the non executive directors and meets not less than three times annually. 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 Combined Code and include reviewing the scope and results of the audit and the cost effectiveness, independence and objectivity of the auditors. It also reviews the level of audit and non audit fees to ensure that the external auditors' independence and objectivity is safeguarded. The committee assists the board in observing its responsibility for ensuring that the group's financial systems provide accurate information which is properly reflected in published accounts. It reviews half year and annual accounts before their submission to the board and reviews reports from the internal auditor and computer department.

Group executive committee

The group executive committee is chaired by the chief executive and comprises all the executive directors together with the secretary, group financial controller and selected managing directors from specialist wire and technical plastics companies. The committee meets each month and is responsible to the board for running the ongoing operations of the group's businesses.

Finance, administration and risk management committee

The finance, administration and risk management committee is chaired by the finance director and comprises the company secretary, group financial controller and group internal auditor. The committee meets each month 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.

Investor relations

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. Major shareholders have been advised that the chairman and the non executive directors are available for separate discussions if required.

The board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation. The level of proxies received for each AGM 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 1 September 2005 can be found in the notice of meeting on page 57.

Accountability and audit

Directors' responsibilities

As required by company law, the directors have prepared accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the financial year and of the profit or loss for the financial year then ended.

In preparing these accounts, which have been produced on a going concern basis, the directors have adopted suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent, and have complied with all applicable accounting standards.

The directors are responsible for ensuring that adequate accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the accounts comply with the requirements of the Companies Act 1985. In addition, they are responsible for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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" (the Turnbull Report). These procedures provide for a continuous process for identifying, evaluating and managing the 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 2005, the board has reviewed the effectiveness of the group's system of internal control, for which it retains overall responsibility. Responsibility for operating the system is delegated to the group executive committee and responsibility for monitoring the system is delegated to the finance, administration and risk management committee. The audit committee reviews the effectiveness of the group's internal control system, the scope of work undertaken by the internal audit department 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 liases 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**

The internal auditor monitors and reports on the system of internal control. The internal auditor reports to the audit committee and works to an agreed programme.

Compliance with the Combined Code

The information in this report demonstrates how the company has complied with the Combined Code throughout the year with the following exceptions (references in brackets are to the relevant Combined Code provision):

i) In order to comply with the requirement for the audit (C.3.1) and remuneration (B.2.1) committees to comprise a minimum of three non executive directors, George Kennedy has remained a member (although not chairman) of these committees. For the purposes of the Combined Code, the group chairman is not deemed to be an independent director. The future composition of the board and its committees is currently under review pending the appointment of the new chairman.

ii) Current practice is for the performance of the board, its committees and its individual directors to be reviewed on an informal basis and as a necessary part of the recruitment process for new directors. No formal procedures exist (A.6.1), nor has there been an independent meeting held to appraise the performance of the chairman (A.1.3).

iii) No formal arrangements are in place to enable staff to raise concerns about possible financial improprieties and for such matters to be investigated (C.3.4).

Remuneration policy

The directors' remuneration is determined by the remuneration committee which comprises all four non executive directors. The committee meets approximately four times a year and is chaired by C G Ross. The remuneration committee consistently seeks to base its remuneration policy for the executive directors on a combination of individual appraisal and company performance measures. The key objectives of this policy, which it believes is in the best interests of shareholders, are as follows:

- to ensure that remuneration and incentive are comparable with those provided by companies of a similar size, business sector and international diversification
- to enable the group to attract, retain and motivate high calibre people
- to give full consideration to the relevant principles on directors' remuneration set out in the Combined Code
- to ensure an appropriate balance between fixed and performance related remuneration
- to align the interests of shareholders and directors by having performance related remuneration linked to the group's earnings

The main components of the remuneration of directors are:

i) **Basic salary** – basic salaries of executive directors are determined after an annual review of the performance of each individual. The committee also takes into account information from independent sources such as surveys provided by Monks Partnership on the rates of salary for similar positions in comparable companies. Monks Partnership did not receive fees for any other services to the group.

ii) **Performance related bonus** – executive directors participate in an annual non pensionable performance related cash bonus scheme known as the Short Term Incentive ("STI") Scheme to encourage operating efficiency and earnings growth.

The STI scheme is based on the growth in pre tax earnings per share before exceptional items. The maximum bonus payable under the scheme is 50% of the chief executive's basic salary and 37.5% of the finance director's basic salary. No bonus is payable in respect of 2004/05.

iii) **Long term incentives** – details of the directors' share options at the date of this report are set out in paragraph i) of the directors' share options section on page 29.

The remuneration committee is responsible for ensuring that the company's long term incentive schemes reflect current best practice and that they are operated in accordance with rules approved by shareholders in general meeting.

The company currently operates three long term incentive schemes; the Executive Share Option Scheme 2000, the Deferred Bonus Share Plan and the Discretionary Share Option Scheme 1997.

Executive Share Option Scheme 2000 – Shareholder approval was received in September 2000 for the introduction of the Executive Share Option Scheme 2000 (the "New Option Scheme") which features discretionary annual awards of options to senior executives at values linked to salary.

The New Option Scheme is designed to be operated in conjunction with, and to supplement, the existing Carclo Discretionary Share Option Scheme 1997. An award of options under the New Option Scheme was granted to R J Brooksbank on 13 September 2004. These options will be exercisable if underlying earnings per share growth exceeds growth in the retail price index by an aggregate 9% or more from a base of 7.0p over the three financial years beginning with the year in which the grant takes place. The committee continues to consider that earnings are the best measure of the group's progress and 9% is a challenging hurdle given economic conditions and recent trading performance.

Deferred Bonus Share Plan – Under the Deferred Bonus Share Plan ("the Share Plan") participants are given the opportunity to invest a proportion of any bonus receivable under the STI scheme, after deduction of tax, in shares (the "contributed shares") in the company. These shares will be held in trust for the absolute benefit of the participants for an initial deferral period of three years. At the end of the initial deferral period, participants still in employment receive matching shares, on the basis of one free share for each contributed share already held. Participants may then either withdraw the contributed shares and the matching shares, or leave both the contributed shares and the matching shares in trust for an additional deferral period of three years. At the end of the additional deferral period, participants receive additional matching shares, again on the basis of one free share for each contributed share already held.

This Share Plan has not been used for executive directors since July 2000 but has been retained for potential participation by certain overseas managers who do not participate in the New Option Scheme.

Discretionary Share Option Scheme 1997 – The Discretionary Share Option Scheme 1997 (the "Discretionary Scheme") is an Inland Revenue approved scheme under which options were originally granted to managers in 1997. Awards of options under the Discretionary Scheme were granted to R J Brooksbank and 8 senior managers on 13 September 2004.

Directors' remuneration report
continued

Directors' remuneration and pension entitlements

i) The remuneration of the directors is as follows:

	Fees £000	Salary £000	Benefits £000	Bonus £000	Total 2005 £000	Total 2004 £000
Non executive directors						
G M Kennedy	64	–	–	–	64	64
B M Richmond	20	–	–	–	20	20
C G Ross from 4.9.03	20	–	–	–	20	11
C N Hutton from 1.7.04	15	–	–	–	15	–
A H C Broadbent to 4.9.03	–	–	–	–	–	10
P W Lee to 4.9.03	–	–	–	–	–	10
Executive directors						
I Williamson	–	202	11	–	213	205
R J Brooksbank from 1.4.04	–	105	10	–	115	–
C Mawe to 29.2.04	–	–	–	–	–	125
Total	119	307	21	–	447	445
2004	115	309	21	–	445	

In addition, pensions of £2,000 (2004 – £2,000) were paid by the company to former directors.

ii) Directors' emoluments are those earned during the relevant financial year, including an amount estimated for bonuses which are paid in the following year.

iii) Benefits comprise taxable emoluments, mainly in respect of the provision of a car allowance and medical insurance which are provided as part of the directors' service contract.

iv) The highest paid director received emoluments, excluding pension benefits, of £213,000 (2004 – £205,000).

v) The number of directors who are eligible to receive retirement benefits under the group's defined benefit schemes at 31 March 2005 was nil (2004 – nil).

vi) The pension entitlements of the directors are as follows:

I Williamson receives a pension contribution calculated at 20% of salary. Each year the maximum allowable is paid into an approved personal pension on I Williamson's behalf – the balance up to 20% of base salary being paid as additional salary. The total contribution paid in the year was £40,460 (2004 – £38,700).

R J Brooksbank also receives a pension contribution calculated at 20% of salary. The maximum allowable was paid into an approved personal pension on R J Brooksbank's behalf with the balance up to 20% of base salary paid as additional salary. The total contribution paid in the year was £21,000.

Directors' interests

i) Listed below are the directors at the end of the year together with their notifiable beneficial interests in the share capital of the company.

	31 March 2005		31 March 2004	
	Ordinary shares	Options	Ordinary shares	Options
G M Kennedy	88,888	–	88,888	–
I Williamson	385,505	574,000	352,041	582,649
R J Brooksbank	33,818	210,000	–	–
C N Hutton	45,000	–	–	–
B M Richmond	3,000	–	3,000	–
C G Ross	20,000	–	15,000	–

ii) The beneficial interests as at 31 March 2005 and 31 March 2004 for I Williamson included 31,915 ordinary shares which were held in trust under the Carclo Deferred Bonus Share Plan.

In addition, 25,436 matching shares were unconditionally awarded to I Williamson during the year and were held in trust at 31 March 2005, together with 20,197 matching shares which were conditionally awarded during the year ended 31 March 2004.

Directors' share options

i) The share options which have been granted to executive directors are shown below:

	At 1 April 2004	Granted	Lapsed	At 31 March 2005	Exercise price £	Date from which exercisable	Expiry date
I Williamson							
Executive Scheme 1986	180,000	–	–	180,000	2.92	8.8.98	7.8.05
Sharesave Scheme 2000	8,649	–	(8,649)	–	1.12	1.12.03	1.6.04
Discretionary Scheme 1997	20,000	–	–	20,000	1.49	6.7.03	5.7.10
Executive Scheme 2000	187,000	–	–	187,000	0.50	24.6.05	23.6.12
Executive Scheme 2000	187,000	–	–	187,000	0.50	12.9.06	11.9.13
R J Brooksbank							
Executive Scheme 2000	–	150,000	–	150,000	0.50	13.9.07	12.9.14
Discretionary Scheme 1997	–	60,000	–	60,000	0.50	13.9.07	12.9.14

The market price of the 5p ordinary shares on 31 March 2005 was 67½p.

ii) The performance criteria relating to the share options granted in the year are set out in note iii) of the remuneration policy on page 27.

iii) The group has taken advantage of UITF 17 (Employee Share Options) in not accounting for the discount on the share options granted during the year under the Inland Revenue approved Sharesave Scheme 2000.

iv) Options granted under the executive share option scheme 1986 (now closed) may normally be exercised only between the third and tenth anniversaries of the dates of grant.

v) No options were exercised during the year or the previous year.

vi) During the year, the price of the company's ordinary shares ranged from 39½p to 70½p.

vii) Full details of directors' shareholdings and share options are contained in the company's register of directors' interests, which is open to inspection at the company's registered office.

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

Service contracts and letters of appointment

i) **Executive directors**

All executive directors' service contracts include a one year notice period on either side. The company may at its discretion pay, in lieu of the required notice period, a lump sum, thereby restricting payments on termination to the value of salary and benefits for the notice period.

The service contracts were effective from the following dates:

I Williamson	1 July 1995
R J Brooksbank	1 April 2004

ii) **Non executive directors**

The non executive directors have letters of appointment with the company, under which they have been appointed up to the following dates:

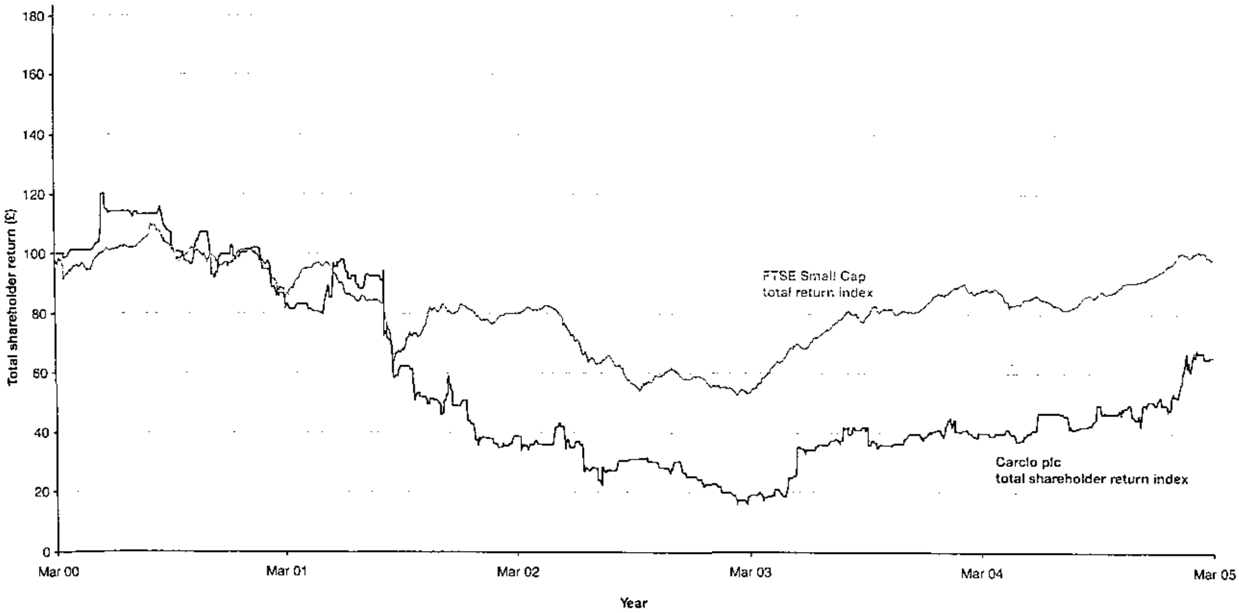
G M Kennedy	Annual general meeting in 2005
B M Richmond	31 December 2005
C G Ross	Annual general meeting in 2007
C N Hutton	Annual general meeting in 2007

The non executive directors do not have service contracts with the company and their appointments, terminable at the will of either party, are for a fixed term of three years, renewable for a further three year period with the agreement of the board and the director. The remuneration of non executive directors is determined by the executive directors without reference to the remuneration committee. The non executive directors do not participate in the company's STI scheme, executive long term incentive share plan, executive share option schemes or pension schemes.

Directors' remuneration report
continued

Related performance graph

The following graph shows the value at 31 March 2005 of a £100 investment made in the shares of Carclo plc on 1 April 2000 if all dividends had been reinvested. This is compared to a similar £100 investment made in the FTSE Small Cap index, again assuming that any dividends were reinvested. The FTSE Small Cap index was selected as being most representative of a broad equity index which contains an appropriate comparator group of companies to Carclo.



Audit

The following information which appears on pages 28 and 29 has been audited: directors' remuneration and pension entitlements and directors' share options.

On behalf of the board

C G Ross
Chairman of the remuneration committee

13 June 2005

Independent auditors' report
to the members of Carclo plc

We have audited the group's financial statements for the year ended 31 March 2005 which comprise the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet, company balance sheet, consolidated cash flow statement and the related notes 1 to 35. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the statement of directors' responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement of corporate governance reflects the company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the directors' report, unaudited part of the directors' remuneration report, chairman's statement, chief executive's review, finance director's review, statement of corporate governance and five year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the profit of the group for the year then ended; and

the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP Ernst + Young LLP
Registered Auditor
Leeds

13 June 2005

Consolidated profit and loss account
year ended 31 March

	Notes	2005 £000	2004 £000 (as restated)
Turnover			
Continuing operations		107,674	115,652
Discontinued operations		–	623
	2 & 4	107,674	116,275
Operating profit / (loss)			
Continuing operations – before exceptional costs and goodwill		4,574	2,309
– exceptional costs	5	(1,038)	(1,314)
– after exceptional costs but before goodwill		3,536	995
Discontinued operations		–	(226)
		3,536	769
Goodwill amortisation		(1,042)	(1,042)
Operating profit / (loss)	3 & 4	2,494	(273)
Continuing operations		2,494	(47)
Discontinued operations		–	(226)
Operating profit / (loss)	3 & 4	2,494	(273)
Share of operating loss in joint venture		–	(115)
Loss on termination of operations	6	(763)	(5,272)
Profit on sale of properties	7	1,462	337
Profit / (loss) before interest		3,193	(5,323)
Net interest payable	8	1,512	1,331
Profit / (loss) on ordinary activities before taxation		1,681	(6,654)
Taxation credit	11	319	2,390
Profit / (loss) attributable to ordinary shareholders		2,000	(4,264)
Ordinary dividends	12	613	613
Surplus / (deficit) for the year		1,387	(4,877)
Earnings per ordinary share	13		
Basic and diluted		3.9p	(8.4)p
Underlying		6.0p	0.9p
Dividend per ordinary share		1.2p	1.2p

Consolidated statement of total recognised gains and losses
year ended 31 March

	Notes	2005 £000	2004 £000 (as restated)
Profit / (loss) attributable to ordinary shareholders		2,000	(4,264)
Exchange gains / (losses) on the translation of overseas net assets	26	410	(539)
Total recognised gains and losses relating to the year		2,410	(4,803)
Prior period adjustment	35	(324)	
Total gains and losses recognised since last annual report		2,086	

Consolidated balance sheet

31 March

	Notes	2005 £000	2005 £000	2004 £000 (as restated)	2004 £000 (as restated)
Fixed assets					
Intangible assets	*14*	14,897		15,939	
Tangible assets	*15*	36,707		37,716	
Investments	*16*	10		10	
			51,614		53,665
Current assets					
Stocks	*18*	13,685		13,596	
Debtors	*19*	22,193		24,546	
Pensions prepayment due after more than one year		14,013		13,052	
Cash at bank and in hand		9,938		7,693	
		59,829		58,887	
Creditors – amounts falling due within one year					
Bank loans and overdrafts		5,442		4,610	
Trade and other creditors	*20*	19,652		22,836	
Taxation		1,702		1,369	
Dividends		613		613	
		27,409		29,428	
Net current assets			32,420		29,459
Total assets less current liabilities			84,034		83,124
Creditors – amounts falling due after more than one year	*21*		30,350		31,086
Provisions for deficit in joint venture					
Share of gross assets		633		69	
Share of gross liabilities		(686)		(189)	
			53		120
Provisions for liabilities and charges	*22*		5,400		5,522
Total net assets			48,231		46,396
Capital and reserves					
Called up share capital	*25*		2,594		2,594
Share premium	*26*		41,772		41,772
Revaluation reserve	*26*		840		852
Other reserves	*26*		1,330		1,330
ESOP reserve	*26*		(905)		(1,030)
Profit and loss account	*26*		2,600		878
Equity shareholders' funds	*27*		48,231		46,396

George Kennedy
Robert Brooksbank } directors

13 June 2005

Company balance sheet
31 March

	Notes	2005 £000	2005 £000	2004 £000 (as restated)	2004 £000 (as restated)
Fixed assets					
Tangible assets	15	221		224	
Investments	16	95		–	
Investment in subsidiary undertakings	17	67,901		73,993	
			68,217		74,217
Current assets					
Debtors – amounts falling due within one year	19	12,641		3,578	
Debtors – amounts falling due after more than one year	19	70,677		60,601	
Pensions prepayment due after more than one year		14,013		13,052	
Cash at bank and in hand		2,961		3,482	
		100,292		80,713	
Creditors – amounts falling due within one year					
Trade and other creditors	20	1,725		8,209	
Dividends		613		613	
		2,338		8,822	
Net current assets			97,954		71,891
Total assets less current liabilities			166,171		146,108
Creditors – amounts falling due after more than one year	21		103,472		83,002
Provisions for liabilities and charges	22		4,099		3,515
Total net assets			58,600		59,591
Capital and reserves					
Called up share capital	25		2,594		2,594
Share premium	26		41,772		41,772
Merger reserve	26		8,785		8,785
Other reserves	26		1,330		1,330
ESOP reserve	26		(905)		(1,030)
Profit and loss account	26		5,024		6,140
Equity shareholders' funds			58,600		59,591

George Kennedy } directors
Robert Brooksbank }

13 June 2005

Consolidated cash flow statement

year ended 31 March

	Notes	2005 £000	2004 £000
Cash inflow from operating activities	30	6,303	1,654
Returns on investments and servicing of finance	30	(1,410)	(1,350)
Taxation		541	694
Capital expenditure and financial investment	30	(2,721)	4,560
Acquisitions and disposals	30	(95)	–
Equity dividends paid		(613)	(623)
Cash inflow before use of liquid resources and financing		2,005	4,935
Financing			
Decrease in debt	30	(487)	(2,938)
Capital element of finance lease rentals		(96)	(168)
Increase in cash in the year		1,422	1,829

	2005 £000	2004 £000
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	1,422	1,829
Cash outflow from decrease in debt and lease financing	583	3,106
Change in net debt resulting from cash flows	2,005	4,935
Exchange movement	227	1,885
Movement in net debt in the year	2,232	6,820
Net debt at beginning of the year	(28,112)	(34,932)
Net debt at end of the year	(25,880)	(28,112)

Notes on the accounts

1 Accounting policies

a) Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of land and buildings and in accordance with applicable UK accounting standards.

The transitional provisions of FRS15 have been followed and accordingly, prior year valuations of land and buildings have not been updated.

The group has adopted UITF 38 'Accounting for ESOP Trusts'. This has resulted in a prior period adjustment as detailed in note 35 of the accounts.

b) Basis of consolidation

The consolidated accounts include the accounts of the company and its subsidiary undertakings to 31 March.

The results of subsidiary undertakings acquired or disposed of are included in the consolidated profit and loss account from or up to the effective date of acquisition or disposal.

c) Operating leases

Rentals in respect of assets leased under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

d) Finance leases

Assets held under finance leases are included under fixed assets at the fair value of the asset. The assets are depreciated over the useful life of the asset. The capital element of the future payment is treated as a liability and the interest element thereon is charged to the profit and loss account.

e) Tangible fixed assets and depreciation

Land and buildings are shown at cost or valuation less any provision for depreciation or impairment. Other fixed assets are shown at cost less any provision for depreciation or impairment.

Freehold land is not depreciated. Depreciation is provided at annual rates calculated to write off the gross amount on all other fixed assets on a straight line basis over their expected useful lives as follows –

Freehold buildings	2.5% – 5%
Plant and equipment	8.33% – 33.33%

In the year ended 31 March 2005 the depreciable lives of certain items of plant and equipment within the Technical Plastics division were reviewed as a consequence of low utilisation levels in recent years resulting in their useful lives exceeding their current depreciable lives. As a consequence these asset lives were extended from 10 years to 12 years. The impact on the annual depreciation charge was to reduce it by £0.256 million.

f) Stocks

Stocks are stated at the lower of cost and net realisable value, with provision made for any obsolete or slow moving items. In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overhead expenses.

g) Deferred taxation

Deferred taxation is recognised as a liability or asset if the transactions or events that give rise to an obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date, except:

- no provision is made on gains arising on revalued properties.
- no provision is made on potentially taxable gains that have been rolled over into replacement assets.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

h) Pension benefits

The group operates funded pension schemes in respect of final salary defined pension benefits for those eligible employees who have previously joined the schemes. Employers' contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the group.

The group also operates defined contribution schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

i) Foreign currency

Net assets of overseas subsidiaries are translated into sterling at the rate of exchange ruling at the year end. Differences arising from the retranslation of net assets at the beginning of the year are dealt with through reserves. The results of overseas subsidiaries are translated into sterling using the average rates of exchange during the year, the difference between the results translated at average rates and closing rates are taken to reserves.

Other assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end except where they are covered by foreign exchange contracts in which case the rate appropriate to the forward contract is used.

All other translation differences are taken to the profit and loss account, with the exception of differences on foreign currency borrowings, which are taken to reserves to the extent that they are used to finance foreign equity investments.

1 Accounting policies continued

j) Goodwill

Goodwill, including that arising on consolidation, was written off to reserves in the year of acquisition in respect of acquisitions up to 31 March 1998. Goodwill arising after 1 April 1998 is capitalised and amortised on a straight line basis over its useful economic life of not more than twenty years.

If a subsidiary is sold or closed, any goodwill arising on acquisition that was written off directly to reserves or not yet amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure. Where applicable, provision is immediately made for any goodwill held on the balance sheet which is assessed as being impaired.

k) Derivative instruments

The group's policy is to use forward exchange contracts to reduce risks associated with foreign currency fluctuations on day to day transactions. Such forward exchange contracts are in the same currency as the transactional currencies and thereby reduce the risks associated with foreign currency movements. Significant long term investments in overseas subsidiaries are hedged by commensurate borrowings in the appropriate currency.

l) Research and development

Research and development expenditure is written off as incurred, except for development expenditure incurred on separately identified projects which is carried forward when the future recoverability can be regarded as reasonably assured. Any such carried forward development expenditure is amortised in line with future sales from the project.

2 Turnover

Turnover is the net invoiced value of goods and services provided by the group to external customers exclusive of value added tax. Turnover is recognised on goods sold on a dispatch basis.

	2005 Continuing operations			2004 Continuing operations			
	Before exceptional costs and goodwill £000	Exceptional costs and goodwill £000	Total £000	Before exceptional costs and goodwill £000	Exceptional costs and goodwill £000 (as restated)	Discontinued £000	Total £000 (as restated)
3 Operating profit / (loss)							
Operating profit / (loss) is arrived at as follows –							
Turnover	**107,674**	–	**107,674**	115,652	–	623	116,275
Increase in stocks of finished goods and work in progress	**181**	–	**181**	315	–	122	437
	107,855	–	**107,855**	115,967	–	745	116,712
Raw materials and consumables	**45,080**	–	**45,080**	50,170	–	290	50,460
Employee costs (note 9)	**37,883**	**858**	**38,741**	41,419	979	365	42,763
Depreciation of tangible fixed assets							
Owned	**4,624**	–	**4,624**	5,178	–	10	5,188
Held under finance leases	**8**	–	**8**	208	–	14	222
Goodwill amortisation	–	**1,042**	**1,042**	–	1,042	–	1,042
Auditors' remuneration							
Audit fees	**203**	–	**203**	180	–	–	180
Non audit services	**145**	**52**	**197**	106	22	–	128
Operating lease rentals							
Properties	**865**	–	**865**	1,099	–	70	1,169
Plant and machinery	**495**	–	**495**	616	–	13	629
Other operating charges	**13,978**	**128**	**14,106**	14,682	313	209	15,204
	103,281	**2,080**	**105,361**	113,658	2,356	971	116,985
Operating profit / (loss)	**4,574**	**(2,080)**	**2,494**	2,309	(2,356)	(226)	(273)

Notes on the accounts

continued

	2005 Turnover £000	2005 Operating profit £000	2005 Net assets £000	2004 Turnover £000	2004 Operating profit £000 (as restated)	2004 Net assets £000 (as restated)
4 Turnover, operating profit / (loss) and net assets employed						
By class of business						
Continuing operations						
Technical Plastics division	86,833	4,114	44,145	93,460	1,680	39,752
Specialist Wire division	20,841	1,378	12,982	22,192	1,896	11,976
	107,674	5,492	57,127	115,652	3,576	51,728
Exceptional costs		(1,038)			(1,314)	
	107,674	4,454	57,127	115,652	2,262	51,728
Discontinued operations						
Technical Plastics division	–	–	–	623	(226)	–
Operating assets			57,127			51,728
Unallocated net liabilities (note i)			(8,896)			(5,332)
	107,674		48,231	116,275		46,396
Divisional operating profit		4,454			2,036	
Central administration costs		(918)			(1,267)	
Goodwill amortisation (note ii)		(1,042)			(1,042)	
Operating profit / (loss)		2,494			(273)	
By geographical area of origin						
Continuing operations						
United Kingdom	77,885	3,824	39,968	85,386	3,228	36,458
United States of America	19,402	1,476	7,686	19,982	711	8,627
Rest of World	10,387	192	9,473	10,284	(363)	6,643
	107,674	5,492	57,127	115,652	3,576	51,728
Exceptional costs						
United Kingdom		(932)			(1,022)	
United States of America		(16)			(172)	
Rest of World		(90)			(120)	
	107,674	4,454	57,127	115,652	2,262	51,728
Discontinued operations						
United Kingdom	–	–	–	623	(226)	–
Operating assets			57,127			51,728
Unallocated net liabilities (note i)			(8,896)			(5,332)
	107,674		48,231	116,275		46,396
Divisional operating profit		4,454			2,036	
Central administration costs		(918)			(1,267)	
Goodwill amortisation (note ii)		(1,042)			(1,042)	
Operating profit / (loss)		2,494			(273)	
Geographical segment – by destination						
United Kingdom	47,077			49,846		
Rest of Europe	26,133			28,628		
Rest of World	34,464			37,801		
	107,674			116,275		

Notes –

(i) Unallocated net liabilities include interest bearing assets and liabilities, investments, taxation balances, capitalised goodwill and head office net assets.

(ii) Goodwill amortisation relates to continuing businesses within the Technical Plastics division.

5 Exceptional costs

Exceptional costs of £1.038 million (2004 – £1.314 million) were charged to operating profit / (loss) in the year in respect of continuing operations. These costs are summarised in the following table –

	2005 £000	2004 £000 (as restated)
Rationalisation of operating activities –		
Technical Plastics division	649	1,007
Specialist Wire division	389	307
Total	1,038	1,314

The rationalisation of operating activities related to the UK technical plastics operations and the rationalisation of the specialist wire businesses primarily in the UK. The costs were primarily redundancy costs.

6 Loss on termination of operations

In the year ended 31 March 2005 a Technical Plastics moulding operation in the USA was closed. Additional costs were also incurred with regard to the Hatfield operation which was closed in the prior year. These closures resulted in a charge of £0.763 million.

	2005 £000	2004 £000
7 Profit on sale of properties		
The profit on disposal of surplus properties is summarised in the following table –		
Net profit on disposal of surplus properties	1,462	300
Net loss on disposal of surplus properties	–	(463)
Release of provision for loss on surplus properties held for disposal	–	500
Profit on sale of properties	1,462	337

Net proceeds of £1.462 million were realised in respect of surplus land and the waiving of rights over a previously disposed property. The net book value of the disposed property was £nil. Under the historical cost convention, the profit on the sale of properties in 2004 would have been higher by £0.086 million.

	2005 £000	2004 £000
8 Net interest payable		
Payable on bank borrowings	1,664	1,604
Finance charges payable under finance leases	4	16
Share of joint venture's interest	28	5
Interest receivable	(184)	(294)
	1,512	1,331

	2005 £000	2004 £000
9 Employee costs and employees		
Employee costs during the year amounted to –		
Wages and salaries	**32,725**	36,728
Social security costs	**4,398**	4,496
Pension charge	**1,618**	1,539
	38,741	42,763

The average monthly number of persons employed by the group during the year was as follows –

		Number of employees
Head office	**15**	17
Technical Plastics division	**1,462**	1,643
Specialist Wire division	**370**	379
	1,847	2,039

Directors' emoluments and interests are described in the directors' remuneration report on pages 27 to 30.

10 Pension arrangements

In November 2000 the Accounting Standard Board issued FRS17 on Retirement Benefits. Carclo has adopted the transitional disclosure requirements of this standard. Accordingly the group results have accounted for pension costs under the existing accounting standard SSAP 24.

a) SSAP 24 disclosures

The group operates two defined benefit final salary pension schemes. Actuarial valuations are carried out every three years using appropriate methods as determined by the actuary. The main scheme was subject to valuation at 31 March 2004 using the projected unit cost method and the other scheme at 31 March 2003 using the attained age method.

The total market value of the assets of the two pension schemes at their latest valuations was £124.6 million. The aggregate past service funding level, which is the actuarial value of the assets expressed as a percentage of past service liabilities including provisions for projected salary increases was 82%.

The valuations are reviewed each year with the actuary for the purposes of ascertaining the pension cost or credit to be included in the company's accounts in accordance with SSAP 24.

The principal actuarial assumptions made for the purposes of this review in 2005 and 2004 were as follows –

	2005 %	2004 %
Investment return, per annum	**7.10**	6.35
Wages and salaries increases, per annum	**3.5**	4.0
Pension increase range, per annum	**0 to 5**	0 to 5

During the year, on the advice of the actuary, the group made cash contributions to the group pension schemes of £2.423 million (2004 – £2.452 million). The group net pension charge in the profit and loss account in respect of the defined benefit schemes was £1.462 million (2003 – £1.352 million).

The company incurred pension fund administration costs totalling £0.637 million in the year which have been recharged in full to the two pension schemes.

The employers costs totalling £0.156 million (2004 – £0.187 million) in respect of the separate Technical Plastics money purchase arrangements and other executive pension costs outside of the two defined benefit schemes are included as regular pension costs. This results in an overall net pension charge of £1.618 million as disclosed in note 9.

b) FRS17 disclosures

The valuations used for the FRS17 disclosures are based on the most recent actuarial valuations as detailed above and as updated by the schemes' actuary to assess the liabilities of the schemes as at 31 March 2005.

	2005	2004	2003

10 Pension arrangements continued

The method and financial assumptions used to assess the schemes liabilities under FRS17 are –

	2005	2004	2003
Valuation method	**Projected unit**	Projected unit	Projected unit
Rate of increase in salaries	**3.0%**	3.3%	3.3%
Rate of increase in pensions in payment	**2.5% to 4.0%**	2.3% to 4.1%	2.3% to 4.1%
Discount rate	**5.5%**	5.8%	5.8%
Inflation rate	**2.5%**	2.3%	2.3%

The assets in the defined benefit pension schemes and expected rates of return at 31 March 2005, 31 March 2004 and 31 March 2003 were –

	31 March 2005		31 March 2004		31 March 2003	
	Long term rate of return expected %	**Market value £000**	Long term rate of return expected %	Market value £000	Long term rate of return expected %	Market value £000
Equities and properties	**8.0**	**81,577**	8.5	64,791	8.5	61,623
Bonds and other	**5.3**	**49,891**	5.6	57,250	5.6	44,715
Total market value of assets		**131,468**		122,041		106,338
Actuarial value of liability		**155,877**		141,692		141,560
Deficit in the schemes		**(24,409)**		(19,651)		(35,222)
Related deferred tax asset		**7,323**		5,895		10,567
Net pension liability		**(17,086)**		(13,756)		(24,655)

The effect of FRS17 on the consolidated net assets of the group as at 31 March 2005 and 31 March 2004 is as follows –

	2005 £000	2004 £000 (as restated)
Net assets as stated in the balance sheet	**48,231**	46,396
Less SSAP 24 balances, net of deferred tax	**(9,809)**	(9,136)
FRS17 net liability in the defined benefit pension schemes	**(17,086)**	(13,756)
Net assets including pension assets and liabilities	**21,336**	23,504

The effect of FRS17 on the consolidated retained profit and loss account of the group as at 31 March 2005 and 31 March 2004 is as follows –

	2005 £000	2004 £000 (as restated)
Profit and loss reserve as stated in the balance sheet	**2,600**	878
Less SSAP 24 balances, net of deferred tax	**(9,809)**	(9,136)
FRS17 net liability in the defined benefit pension schemes	**(17,086)**	(13,756)
Profit and loss reserve including pension assets and liabilities	**(24,295)**	(22,014)

The pension contribution rates for 2004/05 have been agreed at 4.6% to 6.5% for employees and 7.8% to 25.9% for employers. The defined benefit schemes are now closed to new entrants and have a rising age profile of members hence, under the projected unit method for determining scheme liabilities, the current service cost will increase as the members approach retirement.

The movements in the UK schemes' deficit before tax during the years ended 31 March 2005 and 31 March 2004 were as follows –

	2005 £000	2004 £000
Deficit in the UK schemes at start of year	**(19,651)**	(35,222)
Current service cost	**(745)**	(976)
Contributions paid	**2,423**	2,452
Net return on assets	**508**	(466)
Actuarial (loss) / gain	**(6,944)**	14,561
Deficit in the UK schemes at end of year	**(24,409)**	(19,651)

	2005 £000	2004 £000
10 Pension arrangements continued		

The analysis of the amounts that would be recognised in the statement of total recognised gains and losses under FRS17 for the years ended 31 March 2005 and 31 March 2004 is as follows –

	2005 £000	2004 £000
Actual return less expected return on assets	5,674	12,703
Experience gains and losses on liabilities	(3,227)	1,858
Actuarial loss arising from changes in assumptions	(9,391)	–
Actuarial (loss) / gain	(6,944)	14,561

Under FRS17 the following charges would be made for the years ended 31 March 2005 and 31 March 2004 –

	2005 £000	2004 £000
Amount charged to operating profit / (loss) –		
Service cost	745	976
Total charge to operating profit / (loss)	745	976
Amount credited / (charged) to other finance income –		
Expected return on pension scheme assets	8,542	7,575
Interest on pension liabilities	(8,034)	(8,041)
Net credit / (charge) to other finance income	508	(466)

History of experience gains and losses with respect to the UK schemes –

	2005	2004	2003
Difference between expected and actual return on scheme assets	£5.674 million	£12.703 million	(£24.809) million
Percentage of schemes assets	4%	10%	(23)%
Experience gains and losses on scheme liabilities	(£3.227) million	£1.858 million	nil
Percentage of schemes liabilities	(2)%	1%	nil%
Total actuarial (loss) / gain before tax	(£6.944) million	£14.561 million	(£20.348) million
Percentage of schemes liabilities	(4)%	10%	(14)%

	2005 £000	2004 £000
11 Taxation		
The credit based on the profit / (loss) for the year comprises –		
United Kingdom corporation tax		
Corporation tax on profits for the year	–	28
Adjustments in respect of previous years	(100)	609
Overseas taxation		
Current tax	(11)	1
Adjustment in respect of previous years	(98)	(239)
Total current tax	(209)	399
Deferred taxation		
Originating and reversal of timing differences	(110)	(2,789)
	(319)	(2,390)
Comprising –		
Tax on profit before non operating exceptional items	(319)	(208)
Tax on non operating exceptional items	–	(2,182)
	(319)	(2,390)

	2005 £000	2004 £000 (as restated)
11 Taxation continued		
Factors affecting the tax credit for the year –		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below –		
Profit / (loss) on ordinary activities before tax	1,681	(6,654)
Profit / (loss) on ordinary activities at standard rate of UK corporation tax of 30% (2004 – 30%)	504	(1,996)
Effects of –		
Tax exempt capital (profits) / losses	(435)	51
Overseas losses not utilised	407	972
Overseas rate differences	–	1
Depreciation in excess of capital allowances	626	743
Short term timing differences	(1,280)	–
Goodwill amortisation not deductible for tax purposes	305	41
Movement in unprovided deferred tax	(116)	123
Other expenses not deductible for tax purposes	56	94
Adjustments in respect of prior periods (UK and Overseas)	(198)	370
Other	(78)	–
Current tax (credit) / charge for the year	(209)	399

	2005 £000	2004 £000
12 Ordinary dividends		
Per 5p share		
Interim proposed – 0.4p (2004 – 0.4p)	204	204
Final proposed – 0.8p (2004 – 0.8p)	409	409
	613	613

	2005 £000	2004 £000 (as restated)
13 Earnings and funds per ordinary share		
a) Earnings per ordinary share		
Basic and diluted earnings per ordinary share are calculated as follows –		
Profit / (loss) attributable to ordinary shareholders	2,000	(4,264)
Weighted average number of ordinary shares of 5p in issue during the year, excluding investment in own shares	51,066,647	51,015,114
Basic and diluted earnings per share	3.9p	(8.4)p
Reconciliation of Underlying EPS –		
Exceptional costs, after tax	1.4p	1.9p
Loss on termination of operations, after tax	1.5p	6.1p
Profit on sale of property, after tax	(2.8)p	(0.7)p
Goodwill	2.0p	2.0p
Underlying earnings per share	6.0p	0.9p
Underlying EPS is calculated in order to demonstrate the progress of the group.		
b) Funds per ordinary share		
Ordinary shareholders' funds	48,231	46,396
Funds per ordinary share	93p	89p

Notes on the accounts
continued

	At cost £000	Amortisation £000	Group Book value £000
14 Intangible assets			
Goodwill			
1 April 2004	27,308	(11,369)	15,939
Amortised in year	–	(1,042)	(1,042)
31 March 2005	27,308	(12,411)	14,897

	Group Freehold land and buildings £000	Long leasehold land and buildings £000	Plant and equipment £000	Total £000	Company Plant and equipment £000
15 Tangible assets					
Cost or valuation					
1 April 2004	20,666	2,594	71,153	94,413	581
Additions	57	1,264	2,776	4,097	116
Disposals	(2)	–	(3,426)	(3,428)	(49)
Transfers	(976)	91	885	–	–
Exchange adjustments	(107)	163	(14)	42	–
31 March 2005	19,638	4,112	71,374	95,124	648
Of which at valuation 1999	7,670				
Depreciation					
1 April 2004	2,050	291	54,356	56,697	357
Provided during the year	362	163	4,107	4,632	119
Disposals	(1)	–	(3,126)	(3,127)	(49)
Impairment on terminations of operations	–	–	243	243	–
Exchange adjustments	(7)	1	(22)	(28)	–
31 March 2005	2,404	455	55,558	58,417	427
Book value 31 March 2005	17,234	3,657	15,816	36,707	221
Book value 31 March 2004	18,616	2,303	16,797	37,716	224

UK land and buildings were revalued on an open market for existing use basis as at 31 March 1999 by Eddisons Commercial Limited in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

Included in freehold land and buildings is land valued at £3.658 million which is not depreciated.

If land and buildings had not been revalued they would have been carried in the balance sheet as follows –

	2005 £000	2004 £000
Cost	25,738	25,248
Accumulated depreciation	5,687	5,181
	20,051	20,067

The above analysis includes capitalised finance leases with a net book value of £0.031 million (2004 – £0.558 million) within plant and equipment.

	Group £000
16 Investments	
Other listed investments	
1 April 2004 and 31 March 2005	10
Market value 31 March 2005	11

	Company £000

The company also owns a 50% holding in a UK joint venture, Conductive Inkjet Technology Limited. The cost of the investment is detailed below –

1 April 2004	–
Shares acquired in year	95
31 March 2005	95

Conductive Inkjet Technology Limited undertakes applied research into a range of applications using its patented digital printing of conductive inks onto plastics. The company has a 30 April year end.

	At cost £000	Provision £000	Book value £000
17 Investment in subsidiary undertakings			
1 April 2004	109,634	(35,641)	73,993
Provision for diminution in value	–	(5,620)	(5,620)
Disposals	(495)	23	(472)
31 March 2005	109,139	(41,238)	67,901

A list of the main subsidiary undertakings is given in note 33.

	2005 £000	2004 £000
18 Stocks		
Raw materials	5,206	5,192
Work in progress	1,484	1,754
Finished goods	6,995	6,650
	13,685	13,596

Notes on the accounts
continued

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
19 Debtors				
Debtors – amounts falling due within one year –				
Trade debtors	**17,643**	19,916	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**10,212**	2,739
Amounts owed by joint venture companies	**1,249**	328	**1,249**	328
Other debtors	**2,211**	2,492	**564**	134
Prepayments	**1,090**	1,810	**123**	126
Taxation recoverable	**–**	–	**493**	251
	22,193	24,546	**12,641**	3,578
Debtors – amounts falling due after more than one year –				
Amounts owed by subsidiary undertakings			**70,677**	60,601

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
20 Trade and other creditors – amounts falling due within one year				
Trade creditors	**11,806**	12,210	**119**	67
Amounts owed to subsidiary undertakings	**–**	–	**420**	7,011
Other taxes and social security costs	**1,819**	1,686	**193**	171
Other creditors	**1,942**	3,211	**252**	264
Accruals	**4,059**	5,620	**741**	696
Net obligations in respect of finance leases	**26**	109	**–**	–
	19,652	22,836	**1,725**	8,209

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
21 Creditors – amounts falling due after more than one year				
Net obligations in respect of finance leases due –				
between one and two years	**8**	21	**–**	–
Medium term loans	**30,342**	31,065	**28,250**	28,386
Owed to subsidiary undertakings	**–**	–	**75,222**	54,616
	30,350	31,086	**103,472**	83,002

	Deferred taxation £000
22 Provisions for liabilities and charges	
Group	
1 April 2004	5,522
Adjustments in respect of prior years	(764)
Foreign exchange movement	(12)
Charged to the profit and loss account	654
31 March 2005	5,400
Company	
1 April 2004	3,515
Charged to the profit and loss account	584
31 March 2005	4,099

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Deferred taxation is as follows –				
United Kingdom				
Decelerated capital allowances	(1,951)	(1,325)	(174)	(118)
Pension	4,204	3,916	4,204	3,916
Other short term timing differences	1,590	1,544	69	(283)
	3,843	4,135	4,099	3,515
Overseas				
Accelerated capital allowances	–	31	–	–
Other short term timing differences	1,557	1,356	–	–
	5,400	5,522	4,099	3,515

There is a potential liability in respect of the tax which would arise if the group's revalued properties were sold for their revalued amounts. This liability is estimated at £0.2 million (2004 – £0.2 million).

No provision has been made for deferred tax where potentially taxable gains have been rolled over into replacement assets. It is not currently envisaged that any tax will become payable in the foreseeable future. The amount not provided is £0.2 million (2004 – £0.2 million).

Based on current capital expenditure plans, the group expects to continue to be able to claim capital allowances broadly equivalent to depreciation in future years.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the group, no tax is expected to be payable on them in the foreseeable future.

There is an unrecognised deferred tax asset of £1.2 million in respect of tax losses carried forward. This has not been recognised due to uncertainty as to when relief will be obtained. Any future realisation of this asset would reduce future tax charges.

Notes on the accounts
continued

	Finance lease obligations £000	Bank loans and overdrafts £000	Total £000
23 Maturity of debt			
The maturity of debt as at 31 March 2005 was –			
On demand	–	4,924	4,924
Within one year	26	518	544
Between one and two years	8	518	526
Between two and five years	–	29,361	29,361
In five years or more	–	463	463
	34	35,784	35,818
The maturity of debt as at 31 March 2004 was –			
On demand	–	4,109	4,109
Within one year	109	501	610
Between one and two years	21	704	725
Between two and five years	–	29,531	29,531
In five years or more	–	830	830
	130	35,675	35,805

Included above are bank loans amounting to £28.250 million, which are repayable at the end of the loan periods, between June 2007 and July 2008, and bear interest at 0.5% above LIBOR. The bank loans are secured by way of fixed and floating charges over certain of the group's assets.

24 Derivatives and other financial instruments

The group's financial instruments comprised bank loans and overdrafts, finance leases, cash and short term deposits. These financial instruments are used for the purpose of funding the group's operations. An explanation of the group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found on page 37.

In addition the group had also entered into derivative transactions (principally forward currency contracts) which were used in the management of risks associated with currency fluctuations.

Medium term loan facilities are in place with all our major UK banks on floating rate terms and are available to fund the future growth of the group.

With the exception of the analysis of currency exposures, the following disclosures exclude short term debtors and creditors.

The interest rate profile of financial liabilities of the group as at 31 March was as follows –

	Fixed rate interest payable £000	Floating rate interest payable £000	Total £000
As at 31 March 2005			
Sterling	17	21,455	21,472
US Dollar	–	13,110	13,110
Euro	–	42	42
Other	17	1,177	1,194
	34	35,784	35,818
As at 31 March 2004			
Sterling	117	21,109	21,226
US Dollar	–	13,836	13,836
Euro	–	80	80
Other	13	650	663
	130	35,675	35,805

24 Derivatives and other financial instruments continued

The weighted average interest rate and periods for the fixed rate financial liabilities are summarised as follows –

	2005 Average interest rate %	2005 Average period years	2004 Average interest rate %	2004 Average period years
Sterling	**7.0**	**1.0**	7.0	1.0

The amounts shown in the above tables take into account the currency and interest swaps undertaken by the group.

The floating rate financial liabilities comprise –

bank overdraft facilities that bear interest at 1% above prevailing bank base rates.

drawn medium term loans that bear interest at 0.5% above 3 month LIBOR.

The group's policy is to maintain a level of funding facilities which is sufficient to meet the ongoing requirements of its existing operations and to provide for future growth. This is undertaken by way of overdrafts, bank loans and finance leases. The group has medium term loan facilities with a number of UK banks totalling £35.3 million of which £28.2 million had been drawn down at the year end. The ageing profile of the undrawn facilities is summarised in the following table –

	2005 £000	2004 £000
Expiring within one year	**1,250**	–
Expiring in more than one year but not more than two years	**1,250**	1,250
Expiring in more than two years	**4,550**	7,164
	7,050	8,414

The fair value of the derivatives and financial instruments detailed above was not materially different to the book value. Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2005 were insignificant.

The interest rate profile of financial assets of the group as at 31 March was as follows –

	Fixed rate interest receivable £000	Floating rate interest receivable £000	No interest receivable £000	Total £000
As at 31 March 2005				
Sterling	**–**	**4,166**	**59**	**4,225**
US Dollar	**–**	**1,909**	**344**	**2,253**
Euro	**–**	**2,628**	**128**	**2,756**
Other	**107**	**589**	**8**	**704**
	107	**9,292**	**539**	**9,938**
As at 31 March 2004				
Sterling	–	3,555	216	3,771
US Dollar	–	1,137	185	1,322
Euro	–	1,942	219	2,161
Other	129	293	17	439
	129	6,927	637	7,693

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

The group has a number of overseas subsidiary operations. The major overseas subsidiaries are located in the United States and Europe. Hence the balance sheet of the group can be affected by the sterling/dollar and sterling/euro exchange rates. It is the group's policy to hedge the effect of such structural currency exposures by having borrowings in the appropriate currencies.

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 Technical Plastics operations opportunities have been exploited to naturally hedge inflows in currency with similar outflows.

Notes on the accounts
continued

24 Derivatives and other financial instruments continued

The extent to which there were assets and liabilities which were not covered by way of forward contracts are summarised in the following table. The majority of the net exposures relate to cash held in non local currency.

	Sterling £000	US Dollar £000	Euro £000	Other £000	Total £000
Functional currency					
As at 31 March 2005					
Sterling	–	1,271	1,138	(24)	2,385
Other	(42)	–	5	–	(37)
	(42)	1,271	1,143	(24)	2,348
As at 31 March 2004					
Sterling	–	860	837	(29)	1,668
Other	(42)	(5)	(10)	–	(57)
	(42)	855	827	(29)	1,611

	Number of shares	£000
25 Called up share capital		
Ordinary shares of 5p each		
Authorised at 31 March 2004 and 31 March 2005	80,000,000	4,000
Allotted, called up and fully paid at 31 March 2004 and 31 March 2005	51,882,977	2,594

At 31 March 2005 2,324,000 options over ordinary shares were outstanding and comprised –

Date granted	Number outstanding	Option price	Date exercisable
7 August 1995	180,000	292p	to 7 August 2005
23 September 1997	10,000	200p	to 22 September 2007
6 July 2000	270,000	149p	to 5 July 2010
25 June 2001	189,000	113p	to 24 June 2011
24 June 2002	465,000	50p	24 June 2005 to 23 June 2012
10 September 2002	150,000	50p	10 September 2005 to 9 September 2012
12 September 2003	600,000	50p	12 September 2006 to 11 September 2013
13 September 2004	460,000	50p	13 September 2007 to 12 September 2014

	Revaluation reserve £000	Share premium £000	Merger reserve £000	Other reserves £000	ESOP reserve £000	Profit and loss account £000 (as restated)	Total £000 (as restated)
26 Reserves							
Group							
1 April 2004 as previously stated	852	41,772	–	1,330	–	172	44,126
Prior period adjustment	–	–	–	–	(1,030)	706	(324)
1 April 2004 as restated	852	41,772	–	1,330	(1,030)	878	43,802
Exchange gain on translation of net assets of subsidiary undertakings	–	–	–	–	–	410	410
Retained profit for the year	–	–	–	–	–	1,387	1,387
Amortisation of own shares	–	–	–	–	–	38	38
Transfer in respect of depreciation	(12)	–	–	–	–	12	–
Transfer in respect of vested shares	–	–	–	–	125	(125)	–
31 March 2005	840	41,772	–	1,330	(905)	2,600	45,637
Company							
1 April 2004 as previously stated		41,772	8,785	1,330	–	5,434	57,321
Prior period adjustment		–	–	–	(1,030)	706	(324)
1 April 2004 as restated		41,772	8,785	1,330	(1,030)	6,140	56,997
Deficit for the year		–	–	–	–	(991)	(991)
Transfer in respect of vested shares		–	–	–	125	(125)	–
31 March 2005		41,772	8,785	1,330	(905)	5,024	56,006

Other reserves at 31 March 2005 represent the capital redemption reserve arising on the repurchase of the company's 5.95% cumulative preference shares of £1 each, 10.5% cumulative redeemable preference shares of £1 each and ordinary shares of 5p each.

The cumulative amount of goodwill written off at 31 March 2005, net of goodwill relating to undertakings disposed of, is £20.4 million (2004 – £20.4 million).

	2005 £000	2004 £000 (as restated)
27 Reconciliation of movements in equity shareholders' funds		
Profit / (loss) on ordinary activities after taxation for the year	2,000	(4,264)
Dividends	613	613
	1,387	(4,877)
Other recognised gains / (losses) relating to the year	410	(539)
Amortisation and disposal of own shares	38	83
Increase / (decrease) in equity shareholders' funds	1,835	(5,333)
Opening equity shareholders' funds (as restated)	46,396	51,729
Closing equity shareholders' funds	48,231	46,396

The shareholders' funds at 1 April 2004 were originally £46.720 million before deduction of a prior period adjustment of £0.324 million.

28 Employee share ownership plan

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 schemes. The plan held 750,259 shares at 31 March 2005 (2004 – 776,891 shares). The market value of these shares was £0.536 million (2004 – £0.330 million).

Notes on the accounts
continued

29 Profit and loss account

The loss for the year dealt with in the accounts of the company amounts to £0.378 million (2004 – profit of £2.394 million). The company has not presented its own profit and loss account as permitted under section 230 (3) of the Companies Act 1985.

	2005 £000	2004 £000 (as restated)
30 Notes on the consolidated cash flow statement		
Reconciliation of operating profit / (loss) to operating cash flows		
Operating profit / (loss)	2,494	(273)
Depreciation charges	4,632	5,410
Amortisation of goodwill	1,042	1,042
Amortisation of own shares	38	55
(Profit) / loss on sale of tangible fixed assets	(142)	12
Cash flows relating to non operating exceptional charges	(1,641)	(3,208)
Increase in stocks	(69)	(369)
Decrease in debtors	2,074	295
Decrease in creditors	(2,125)	(1,310)
Net cash inflow from operating activities	6,303	1,654

Note – Included above are cash outflows of £0.619 million in respect of exceptional operating charges (2004 – £1.585 million).

	2005 £000	2004 £000 (as restated)
Returns on investment and servicing of finance		
Interest received	193	237
Interest paid	(1,599)	(1,571)
Interest element on finance lease rentals	(4)	(16)
Net cash outflow for returns on investment and servicing of finance	(1,410)	(1,350)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(4,012)	(4,032)
Sale of tangible fixed assets and surplus property	2,212	8,922
Loan to joint venture	(921)	(358)
Disposal of own shares	–	28
Net cash (outflow) / inflow for capital expenditure and financial investment	(2,721)	4,560
Acquisitions and disposals		
Purchase of shares in joint venture	(95)	–
Net cash outflow for acquisitions and disposals	(95)	–
Cash outflow from decrease in debt		
Repayment of loans	(487)	(2,938)
Net cash outflow from decrease in debt	(487)	(2,938)

Analysis of net debt

	At 1.4.04 £000	Cash flow £000	Exchange movement £000	At 31.3.05 £000
Cash in hand and at bank	7,693	2,245	–	9,938
Overdrafts	(4,114)	(823)	13	(4,924)
Debt due after 1 year	(31,065)	505	218	(30,342)
Debt due within 1 year	(496)	(18)	(4)	(518)
Finance leases	(130)	96	–	(34)
Total	(28,112)	2,005	227	(25,880)

	2005 £000	2004 £000
31 Financial commitments		
Group		
a) The directors have authorised the following future capital expenditure which is contracted –	203	138

b) The annual commitment under non cancellable operating leases was as follows –

	Land and buildings 2005 £000	Land and buildings 2004 £000	Other 2005 £000	Other 2004 £000
Leases expiring –				
within one year	54	96	46	50
within two to five years	50	308	192	304
after more than five years	580	401	-	-
	684	805	238	354

32 Contingent liabilities

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 group.

33 Group undertakings

The main trading subsidiary undertakings in the group, with the countries in which they are incorporated and principally operate, are shown below. The ordinary share capital of the subsidiary undertakings are all wholly owned by the company except where indicated.

Technical Plastics division

Carclo Technical Plastics Limited	England
Carclo Technical Plastics (Mitcham) Limited	England
Carclo Technical Plastics (Slough) Limited	England
***Carclo Technical Plastics Inc.**	USA
***Carclo Technical Plastics Shanghai Co. Limited**	China
***Carclo Technical Plastics (Brno) s.r.o.**	Czech Republic
CTP Gills Cables Limited	England
CTP Wipac Limited	England

The companies within the Technical Plastics division design and manufacture high quality, close tolerance plastic components for the automotive, optical-medical and teletronics industries.

Specialist Wire division

Birkett Cutmaster Limited	England
Bruntons Aero Products Limited	Scotland
ECC Card Clothing Limited	England
***ECC Card Clothing Inc.**	USA
***ECC Card Clothing (Asia) Pvt. Ltd.**	India
***ECC Card Clothing (Changzhou) Limited**	China
***ECC Italia srl**	Italy
***ECC Platt A.S.**	Turkey
***ECC Platt S.A.S.**	France

The companies within the Specialist Wire division design and manufacture a range of card clothing products, aerospace components, and industrial consumables.

**Wholly owned by subsidiary undertakings*

Notes on the accounts
continued

34 Post balance sheet events

On 26 May 2005 it was announced that Carclo had received a binding offer from NV Bekaert SA ("Bekaert") for the sale of the ECC Card Clothing business to Bekaert for a total consideration of up to £8.6 million, payable in cash. Of this, £6.5 million is payable on completion, which is expected to occur on or around 13 June 2005, with further payments of up to £2.1 million dependent upon the achievement of certain performance criteria in the two years following 31 May 2005. The additional consideration would be payable as follows: up to £0.6 million on or before 31 July 2006 and up to £1.5 million on or before 31 July 2007.

Completion of the disposal is conditional, inter alia, upon satisfactory completion of the UK and French employee consultation processes, Turkish merger clearance and the approval by shareholders of the acceptance of the offer at an extraordinary general meeting which is to take place on 13 June 2005.

35 Prior period adjustment

In preparing the financial statements for the current year, the group has adopted UITF 38 'Accounting for ESOP Trusts'. The adoption of UITF 38 has resulted in a change in accounting policy for ESOP Trusts. The investment in Carclo plc shares held by the ESOP trust is classified at original cost as a deduction from shareholders funds.

This change in accounting policy has resulted in a prior period adjustment for both the group and the company. For the group and company, shareholders' funds at 1 April 2004 have been reduced by £0.324 million. Profit for the current year has been reduced by £nil (2004 – £0.104 million) as a result of the change in accounting policy.

Five year summary

	2005 £000	2004 £000 (as restated)	2003 £000 (as restated)	2002 £000 (as restated)	2001 £000 (as restated)
Turnover	**107,674**	116,275	127,943	145,630	171,140
Underlying operating profit	**4,574**	1,968	4,679	6,522	13,843
Goodwill amortisation	**(1,042)**	(1,042)	(1,042)	(1,042)	(1,038)
Non recurring items	**(339)**	(6,249)	(1,621)	(20,479)	(1,498)
Profit / (loss) before interest	**3,193**	(5,323)	2,016	(14,999)	11,307
Net interest payable	**1,512**	1,331	702	2,992	2,680
Profit / (loss) before tax	**1,681**	(6,654)	1,314	(17,991)	8,627
Overseas sales as a percentage of total sales	**56.3%**	57.1%	56.6%	52.8%	48.0%
Underlying operating margin	**4.2%**	1.7%	3.7%	4.5%	8.1%
Net margin	**1.6%**	(5.7)%	1.0%	(12.7)%	5.0%
Tax rate	**(19.0)%**	35.9%	(131.3)%	1.1%	34.1%
Earnings per share Basic	**3.9p**	(8.4)p	6.0p	(34.9)p	10.5p
Underlying	**6.0p**	0.9p	8.2p	4.7p	13.7p
Dividend per share	**1.2p**	1.2p	1.2p	0.0p	11.0p
Underlying dividend cover	**5.0x**	0.8x	6.8x	n/a	1.2x
Underlying interest cover	**3.03x**	1.48x	6.67x	2.18x	5.17x
Fixed assets	**51,614**	53,665	60,657	71,999	86,518
Net current assets excluding cash, bank and finance leases	**28,040**	26,485	34,165	29,837	30,264
Net debt	**(25,880)**	(28,112)	(34,932)	(44,269)	(43,671)
Other creditors in excess of one year and provisions	**(5,453)**	(5,642)	(8,161)	(8,351)	(7,376)
Total shareholders' funds	**48,321**	46,396	51,729	49,216	65,735
Post tax return on shareholders' funds	**4.1%**	(9.2)%	2.5%	(36.1)%	8.7%
Gearing	**53.7%**	60.6%	67.5%	89.9%	66.4%
Assets per share	**93p**	89p	100p	95p	127p
Capital expenditure as a multiple of depreciation	**0.9x**	0.7x	0.6x	1.2x	1.1x
Number of shareholders at 31 March	**2,160**	2,276	2,369	2,444	2,422
Average number of employees in year	**1,847**	2,039	2,245	2,565	2,979
Added value per employee	**£24,393**	£22,419	£24,020	£14,796	£25,120

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
1996	203p	315p	2001	51p	126p
1997	175p	223p	2002	26p	57p
1998	85p	217½p	2003	17p	46p
1999	109½p	170½p	2004	37p	54p
2000	106½p	155½p	2005 to date	48½p	76½p

b) Share price information

F T Cityline telephone number for share price information

For share price information on Carclo call F T Cityline on 0906 843 2070

c) Further information on Carclo plc

Further information on Carclo plc can be found on the internet at www.carclo-plc.com

Financial calendar 2005/06

Annual general meeting 2005	1 September 2005
Final dividend for 2005 payable to members on the register on 5 August 2005	8 September 2005
Ex-dividend date	3 August 2005
Interim report for the half year ending 30 September 2005	5 December 2005
Preliminary announcement of the results for the year ending 31 March 2006	12 June 2006

Notice of meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your shares in Carclo plc, please pass this document and the accompanying form of proxy to the stockbroker, bank or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

Notice of annual general meeting

Notice is hereby given that the eighty second annual general meeting of the company will be held at the Holiday Inn, Junction 40, M1, Ossett, West Yorkshire on Thursday 1 September 2005 at 3.00 p.m. for the transaction of the following business:

To consider and, if thought fit, pass the following resolutions, of which numbers 1 to 5 will be proposed as an ordinary resolutions and numbers 6 to 10 will be proposed as special resolutions.

Ordinary business

1. To receive the directors' and auditors' reports and the accounts for the year ended 31 March 2005.
2. To approve the directors' remuneration report for the year ended 31 March 2005.
3. To declare a final dividend.
4. A. To re-elect G M Kennedy as a director of the company.
   B. To re-elect I Williamson as a director of the company.
5. A. To appoint KPMG LLP as auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company.
   B. To authorise the directors to fix the remuneration of the auditors.

Special business

To consider and, if thought fit, pass the following special resolutions:

6. THAT the authority and power to allot shares conferred on the directors by paragraph (B) of article 9 of the company's articles of association be renewed for the period ending on the date of the annual general meeting in 2006 or on 1 December 2006, whichever is the earlier, and for such prescribed period the section 80 amount shall be £864,716; and
7. THAT the authority and power to allot shares for cash conferred on the directors by paragraph (B) of article 9 of the company's articles of association be renewed for the period ending on the date of the annual general meeting in 2006 or on 1 December 2006, whichever is the earlier, and for such prescribed period the section 89 amount shall be £129,707; and
8. THAT the authority and power to repurchase its own shares conferred on the company by paragraph (B) of article 6 of the company's articles of association be renewed for the period ending on the date of the annual general meeting in 2006 or on 1 December 2006, whichever is the earlier, and for such prescribed period the specified number of ordinary shares shall be 5,188,297; and
9. THAT the authority and power to reduce capital conferred on the company by article 7 of the company's articles of association be exercised to reduce the amount standing to the credit of the share premium account by £41,772,237, as summarised in the circular letter to shareholders dated 24 June 2005 which accompanied the notice convening this meeting; and
10. THAT the articles of association of the company be and are hereby amended by the addition of the following to the end of article 103(C): "and any liability of any member of the group in connection with a deficit relating to a pension fund established for the benefit of former employees or officers of the group shall be deemed not to be borrowed moneys".

By order of the Board

Eric Cook
Secretary

E Cook

27 Dewsbury Road, Ossett

24 June 2005

Notes

1. The register of directors' interests and copies of directors' service agreements and the articles of association of the company will be available for inspection at the registered office during normal business hours on any weekday except Saturday, from the date of the notice until the date of the annual general meeting, and during the meeting.
2. An ordinary shareholder entitled to attend and vote at a meeting of the company, is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member. Forms of proxy must be lodged at the registered office of the company not less than 48 hours before the time of the meeting.
3. The full terms of the proposed amendments to the articles of association of the company will be available for inspection at Linklaters, 1 Silk Street, London EC2Y 8HQ from the date of the notice until the close of the annual general meeting.
4. The company, pursuant to the Uncertificated Securities Regulations 2001, specifies that only those shareholders on the register of members as at 6 pm on 30 August 2005 shall be entitled to attend or vote at the annual general meeting in respect of the number of shares registered in their names at that time. Changes to entries on the ordinary register after 6 pm on 30 August 2005 shall be disregarded in determining the right of any person to attend or vote at the meeting.

A form of proxy is enclosed.