[COMPANIES HOUSE]

Registered Company Number – 196249

Carclo plc

Report & Accounts

Year Ended 31 March 2010

TUESDAY

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In summary

Carclo plc is a technology led plastics group It is a public company whose shares are quoted on the London Stock Exchange.

Two thirds of sales are derived from the supply of fine tolerance, injection moulded plastic components, which are used in medical, optical and electronics products This business, Carclo Technical Plastics, operates internationally in a fast growing and dynamic market underpinned by rapid technological development.

A third of sales are derived from the supply of specialised precision products to the premium automotive and aerospace industries. Carclo is a leader in the development of high power LED lighting for supercars.

Carclo's strategy is to develop new technologies and products to drive future growth. Its investment in Conductive Inkjet Technology is at the heart of the newly emerging market for very low cost printed electronics.

The highlights for the year to 31 March 2010 are summarised below -

- Profit before tax increased by 26 6% to £4 6
- Earnings per share increased by 15 7% to 5 9 pence
- The commercialisation of Conductive Inkjet Technology ("CIT") progressed significantly with the signing of an agreement with Atmel Corporation ("Atmel") for the development and launch of an innovative new touch screen product based upon CIT's patented processes

Commenting on the results, Christopher Ross, chairman said -

"The year just ended was another year of progress

The group is well positioned for growth and the board remains committed to delivering shareholder value through a continued focus on its clear, consistent strategy "

Forward looking statements

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

Chairman's statement

Overview

The year to 31 March 2010 has been one of good progress in the face of a tough global recession The highlights in the year were -

- In Technical Plastics operating profits increased to £4 4 million (2009 - £3 7 million) with operating margins up to 8 6% (2009 – 6 8%) as the division continues to benefit from its focus on the medical and specialist optics sectors
- Precision Products faced a more difficult year with operating profits down at £2 6 million (2009 - £3 7 million) mainly due to a reduction in aerospace demand
- Profit before tax increased by 26 6% to £4 6 million as exceptional rationalisation costs reduced by £2 1 million to £0 3 million
- Earnings per share increased by 15 7% to 5 9 pence
- The commercialisation of Conductive Inkjet Technology ("CIT") progressed significantly with the signing of an agreement with Atmel Corporation ("Atmel") for the development and launch of an innovative new touch screen product based upon CIT's patented processes
- The group raised £3 5 million by way of a share placing to facilitate the step up in investment in new technologies

Overall, a most satisfactory year of strategic progress, with the group continuing to focus on specialist medical and optical markets, expanding its global manufacturing footprint and underpinning future growth through continued investment in new technologies

Cash flow and funding

Net debt at 31 March 2010 was £14 6 million (2009 – £17 9 million) The reduction in debt was due to a successful share placing which the group undertook in December 2009 The shares issued equated to 5 0% of Carclo's share capital at that time and raised £3 5 million in cash, after attributable costs Unusually, and reflecting investor confidence in Carclo's strategy, the shares were issued without discount to the prevailing mid-market share price The cash raised is being used to accelerate a number of growth projects principally in Carclo's technology business, CIT

The group has medium term loan facilities totalling £20 0 million with its two principal UK bankers which fall due for renewal in 2012 In addition, the group has other banking facilities totalling £11 9 million The group continues to operate well within these facilities and associated bank covenants

Dividend

The board is recommending an unchanged final dividend of 1 35 pence per share This gives a total dividend for the year of 2 0 pence per share (2009 – 2 0 pence)

Subject to shareholder approval, dividend payments will be posted on 9 September 2010 to shareholders on the register at close of business on 6 August 2010 The shares will be traded excluding the right to the dividend from 4 August 2010

Employees

I would like to thank all those employed by Carclo for their significant contribution during the year In particular, the board would like to re-iterate its thanks to the employees in the UK and USA who accepted a pay freeze during the financial year in light of the global recession I am pleased to report that pay and salary increases were recommenced in the new financial year

The board

The current service contracts for our executive directors terminate on the executive's 60th birthday On this basis Carclo's chief executive, Ian Williamson, would cease to be a director on 27 March 2011

During Ian's tenure as chief executive, Carclo has been transformed into a global technology led plastics group The group has performed well during the recent economic downturn and is set for profitable growth

However, it is Carclo's investment in new technologies which has received Ian's particular focus and which is now starting to reap significant rewards, particularly at CIT

The board believes that CIT will generate significant value for Carclo's shareholders over the next three years and that Ian is best placed to provide continuity of stewardship and strategic focus during this period

The board, therefore, proposes to extend Ian's contract until 27 March 2013, when he will reach the age of 62, to enable him to continue the development of Carclo and, specifically, to oversee the commercialisation of CIT

Ian Williamson was re-elected at the 2008 annual general meeting and would, therefore, not normally fall due for re-election before his contracted date of retirement He has, however, decided to stand for re-election at the next annual general meeting on 2 September 2010 to allow shareholders to vote on the extension to his employment contract

His new conditions of employment and remuneration package are fully described in the directors' remuneration report on pages 31 to 32

Outlook

The year just ended was another year of progress for the group

Our medical business continues to identify opportunities for further growth which will support increased profitability in the Technical Plastics division In addition, our LED optics business continues to generate strong compound growth

In Precision Products, the significant design and development revenues generated by Wipac last year from LED supercar lighting will progressively convert to product sales in the new financial year and will drive growth in the medium term The aerospace business, which was impacted by a significant reduction in demand last year, has now stabilised

Conductive Inkjet Technology is now generating commercial revenues and we expect revenues to step up significantly in our second half as the new touch sensor products enter production

The group is well positioned for growth and the board remains committed to delivering shareholder value through a continued focus on its clear, consistent strategy

Christopher Ross

8 June 2010

Chief executive's review

Strategic development

Last year our consistent strategy to focus on our specialist businesses in medical plastics and LED lighting and to develop the group globally paid off The medical market now accounts for 41% of group sales and our fast growing LED optics and lighting businesses account together for a further 16% of sales The group is well balanced globally between UK, USA and faster growing low cost regions in eastern Europe, China and India

We have good visibility of long term growth in these specialised businesses with blue chip customers and, in most cases, secure contractual agreements

Carclo is unusual as a public company in having invested for the long term in new technologies which are potentially transformational The most advanced of these investments is Conductive Inkjet Technology ("CIT") CIT has developed a proprietary range of catalytic inks and films for the printing or patterning of pure metal on plastic surfaces The commercial development of CIT has stepped up dramatically in the last year with the commissioning of the InkJetFlex facility in Cambridge and, more significantly, the agreement with Atmel Corporation to develop CIT fine line technology for touch sensor applications

It is now clear that CIT will have a significant value either as part of Carclo or as a stand-alone entity The board is very conscious of the need to deliver this value to shareholders Our first responsibility is to ensure that the business is properly resourced commensurate with the scale of the commercial opportunity – we are, therefore, applying the proceeds of the share placing undertaken in December 2009 to extend the pilot production facility and associated technical resources It is equally important that the CIT management team is focussed on the rapid commercialisation of this technology – so we have implemented appropriate incentive structures linked to the commercial success of CIT Finally, we will shortly be appointing an external adviser to assist the board in evaluating all options for the future of CIT

To quote directly from last year's report – "despite the global economic gloom and uncertainty, these are positive and exciting times for Carclo" One year on, the global economic gloom has lifted a little, but the sense of excitement within Carclo has stepped up a great deal more

Operating review

	Carclo Technical Plastics		**Carclo Precision Products**	
	2010	2009	**2010**	2009
Revenue	**£51.1m**	£55 0m	**£30.5m**	£33 0m
Underlying operating profit *	**£4.4m**	£3 7m	**£2.6m**	£3 7m
Net assets	**£49.3m**	£51 1m	**£15 3m**	£14 4m
Underlying operating margin	**8.6%**	6 8%	**8.7%**	11 3%
Return on capital employed *	**8.9%**	7 3%	**17.3%**	25 9%
Average number of	**686**	832	**284**	275

* before rationalisation costs and exceptional bad debts

Carclo Technical Plastics

Operating profits of £4 4 million were 18 4% ahead of the prior year on sales of £51 1 million (2009 - £55 0 million) The operating margin increased to 8 6% (2009 – 6 8%)

In the prior year we exited from low margin automotive moulding transferring out just under 20% of the division's sales to other suppliers This action freed up capacity for growth in our medical and optical businesses which have delivered an excellent improvement in operating margin Medical and optical markets now represent two thirds of the divisional sales and are growing faster than the other markets

we serve The operating margin of the division will continue to benefit from this much improved mix of business

The UK operations had a strong year, benefiting from good growth in medical diagnostics and LED optics and the contribution from new tooling and development programmes We are in the process of re-commissioning moulding capacity in Scotland for our specialist medical and optical programmes

The US operations delivered profits similar to the prior year US demand, even in our niche medical markets, remained subdued for most of the year However, demand has now stepped up and the US entered the new financial year trading strongly

Our new assembly and moulding operation in Bangalore, India, delivered a profit in its first full year We are increasing capacity in India this year and are establishing medical and white room operations Operating profits in our Czech and China operations were slightly lower than the prior year – a creditable performance given the poor demand in the professional electronics markets we serve Well over half of sales in China are now medical and the Czech facility has won its first major medical programme

Carclo optics has a market leading position in the supply of secondary optics which shape and control light-beam patterns generated by solid state LED lighting devices We continue to see high compound growth in this product area and it is now a significant component of profit growth In the year, we established a dedicated business unit to support the market growth and extended our manufacturing and distribution support in the US and in China We see significant opportunities for further growth in LED lighting applications

Carclo Precision Products

The aerospace operations within the Precision Products division experienced the full force of the recession and were largely responsible for the decrease in operating profit from £3 7 million in 2009 to £2 6 million in 2010 Sales fell by £2 5 million to £30 5 million and the operating margin fell to 8 7% (2009 – 11 3%)

Bruntons Aero experienced the sharpest reduction in demand mainly due to its exposure to the corporate jet market Jacottet Industrie, which we acquired in 2008, was less affected as it supplies Airbus and the commercial jet market The combined business is still generating double digit operating margins – a good result given the very weak markets

This has been a transitional year for Wipac We are providing LED lighting for many of the new supercars now being launched The design and development contracts for these new products generated significant profits in the year These new products are now entering production and will contribute to sales and profits in the current year

We are set for a couple of years of good sales growth as these products reach maturity We continue to see new opportunities for our highly specialised skills in high power LED lighting The other Wipac businesses – communication products and aftermarket lighting – were weaker than the prior year Demand did improve in the second half of the year and the new year has started well

Technology investments

Conductive Inkjet Technology ("CIT")

The pace of commercialisation at CIT has now stepped up significantly CIT generated sales revenues of £0 3 million, including a maiden contribution from the InkJetFlex pilot manufacturing facility in Cambridge which became fully operational in the second half of the year We are supplying a number of customers with initial production quantities for a broad spectrum of innovative applications Each month we are adding new customers and applications to our portfolio

The InkJetFlex pilot line is reliable and stable and delivers pixel perfect printed circuits on demand To encourage designers to use the CIT solution, we have launched a web based tool for small batch and prototype runs (www inkjetflex com) For a small fixed charge, and on a very fast turnaround, designers can upload any circuit pattern and receive a fixed length of CIT printed material

Applications in production include RFID tags, road traffic sensors, motion detectors, heating elements and LED lighting strips Many other sensor and circuit applications have been sampled and are at varying stages of production development We expect sales from the InkJetFlex facility to grow strongly over the coming 18 months

Our objective is for CIT to be the preferred interconnect choice at the heart of printed electronics We have made good progress with the flexographic inks based on the CIT patents and our principal partner, an established technical printer, is well advanced with a number of automotive applications of the technology As InkJetFlex volumes and applications grow, we will look to extend our partnership arrangements with printers and contract manufacturers to accelerate the adoption of CIT technology

Fine Line Technology ("FLT")

We have developed a variant of the CIT process which can be used with standard photolithography equipment to produce circuits with very fine features In this process we produce a photosensitive film using CIT's catalytic materials This film is then exposed in a UV photolithographic unit and the exposed film is developed and metallised in the MetalJet 6000P facility The result is a roll to roll production process which can produce double sided circuits on plastic film with line widths of 4 microns A human hair is typically 80 microns in diameter These lines are not visible to the human eye

An immediate application for FLT is as a touch screen sensor as used in smart phones and in larger e-reader and tablet devices In December 2009 we signed an agreement with Atmel Corporation ("Atmel") to complete the technical and commercial development of this technology for touch screen applications CIT is now installing a manufacturing facility in Cambridge for the production of touch screen sensors In return for staged payments totalling US $1 0 million, Atmel has secured preferred access to the CIT capacity Atmel has agreed minimum volumes for 2011 and 2012 to preserve the preferred access under the agreement These minimum volumes are significant and will add materially to sales and profits for the group as a whole

The first component of the manufacturing facility, a coating line to produce the photosensitive film, is now installed and operational The second and third elements of the facility are expected to be installed by end of July 2010 We are aiming to have proof of process by the autumn and have the line ready for initial production by the end of the year

There is a great deal of interest in this new technology and we have already provided samples of FLT touch sensors which have been integrated into mobile phones

The CIT touch sensors perform much better than existing Indium Tin Oxide ("ITO") sensors and the production cost of the CIT solution is much lower than ITO The CIT technology has the potential to displace ITO in what is becoming a very large market for touch enabled devices The sales and profit potential of this one application is substantial and is near term

Displays and photovoltaics

We have a collaborative programme with Cambridge Display Technology Limited ("CDT") using the CIT materials to produce fine lines on glass for the front electrode of OLED displays and lighting panels The joint development work has been partly supported by a Technology Strategy Board project ("NOMAD") which commenced in 2007 In April 2010 CDT announced an ITO free OLED lighting device using the CIT fine line technology to replace the ITO front electrode The superior conductivity and optical characteristics of the CIT fine lines has allowed CDT to design a much improved OLED lighting device with significantly lower manufacturing costs

Project NOMAD will be completed in July 2010 We are in discussions with CDT on further collaborations with the objective of enabling the commercialisation of OLED devices based on this new technology

The work with CDT has been on glass substrates However, we can also use the FLT pilot line to produce plastic films which function as transparent electrodes This is particularly relevant to the development of low cost organic photovoltaic devices We are engaged with a partner in researching this exciting application of the CIT technology

Security applications

CIT's proprietary catalytic inks enable many innovative new products Some of these lie outside of our mainstream developments in printed electronics, touch screens and OLED displays We have recently concluded a joint development agreement with Worldmark International Limited ("Worldmark") to use the CIT technology in Brand Protection applications Worldmark is a leader in providing Brand Protection solutions to many global brand owners

As part of this agreement Worldmark has purchased printed electronics equipment from CIT, and plans to use CIT Technology to develop unique Brand Protection solutions, in combination with its proprietary coating, printing and material technology

In the first phase of this joint development agreement, Worldmark has installed a MetalJet 2000 based development and prototype system in its UK R&D Centre in East Kilbride, Scotland

Products developed from this collaboration will be marketed through Worldmark's Brand Protection Division

As with other CIT applications, potential revenues from a successful commercialisation of this innovative product could be substantial

Platform Diagnostics Limited ("PDL")

Platform Diagnostics was a venture capital backed company established to develop low cost point of care diagnostic devices based on Capillary Agglutination Technology ("CAT") In 2007 Carclo and BBI Holdings plc ("BBI") took over the development of CAT within PDL Carclo and BBI each own 29 8 % of PDL (2009 – 29 8%)

Costs of development in the last year have been relatively modest but good progress has been made in refining the hardware design We now have a simple, elegant product which will be straightforward to manufacture The device is a fully integrated, quantitative test which is disposable and low cost It uses a very small pinprick of blood as the sample The test has been shown to work with BBI's proprietary d-dimer reagent chemistry

The next step for both partners is to determine a viable route to market A key technical issue is to broaden the range of assays available on the platform We expect to complete our commercial assessment of the concept later this year

Ian Williamson

8 June 2010

Finance director's review

Financial summary

	2010 £million	2009 £million
Revenue	**81.2**	87 4
Divisional operating profit	**7.1**	7 5
Unallocated	**(1.4)**	(1 3)
Underlying operating profit from continuing	**5.7**	6 2
Exceptional items	**(0.3)**	(2 7)
Net bank interest	**(0.4)**	(0 7)
IAS 19 net financing (charge) / credit	**(0.4)**	0 9
Profit before tax	**4 6**	3 7
Income tax expense	**(0 9)**	(0 5)
Loss on discontinued operations	**(0.2)**	(0 3)
Profit attributable to ordinary shareholders	**3.5**	2 9
Ordinary dividend	**(1.2)**	(1 1)
Surplus for the year	**2.3**	1 8
Divisional operating margin from continuing	**8 7%**	8 6%
Basic earnings per share	**5 9p**	5 1p
Underlying earnings per share	**6.6p**	9 8p

Group turnover from continuing operations was £81 2 million (2009 – £87 4 million) The group saw a reduction in sales in both divisions during the year In Technical Plastics this was mainly due to the prior year exit from lower margin automotive moulding and the impact of the downturn in our teletronics markets offset partially by growth in our medical and optical sales In Precision Products the decline in sales was predominantly due to reduced demand in our aerospace businesses as a result of the global recession

Divisional operating profit was £7 1 million (2009 - £7 5 million) and underlying operating profit from continuing operations was £5 7 million (2009 - £6 2 million)

Underlying profit after interest charges but before any adjustment for the IAS19 net financing charge was £5 3 million, broadly in line with the level of underlying profitability in the prior year (2009 - £5 5 million)

As expected, divisional operating profits in the second half of the year were well ahead of the profits generated during the first half Our first half was impacted more significantly by the economic downturn whilst in the second half profitability improved in both divisions In particular, Precision Products enjoyed a much stronger second half performance benefiting from Wipac's supercar lighting programmes

Profit before tax was £4 6 million, an increase of 26 6% on the prior year Exceptional costs at £0 3 million were much lower than in previous years, reflecting the fact that entering the year the group had already concluded most of its reorganisation and rationalisation plans Net bank interest reduced to £0 4 million (2009 - £0 7 million) as a result of lower average debt levels and lower base and LIBOR interest rates Profit before tax was impacted by a £0 4 million pensions net financing charge in compliance with the provisions of IAS 19 "Employee Benefits" In the previous year a net financing credit of £0 9 million was included in profit before tax This substantial reversal has occurred as a consequence of the sharp decline in equity markets and pension investment values during the period to 31 March 2009

The group tax charge for the year was £0 9 million (2009 - £0 5 million) This equates to an effective tax rate of 20 5% (2009 – 12 5%) which is below the normalised rate due mainly to the continuing benefit from prior period losses No UK tax was paid during the year, although tax is being paid by the group's subsidiaries in the Czech Republic, France, India and China

Basic earnings per share increased to 5 9 pence (2009 – 5 1 pence) although underlying earnings per share reduced to 6 6 pence (2009 – 9 8 pence) due in part to the rising tax charge

A loss on disposal of discontinued operations of £0 2 million (2009 - £0 3 million) was charged to the income statement and this cost primarily relates to expenditure incurred on two surplus properties held for resale, one of which was sold during the year

The profit attributable to ordinary shareholders was £3 5 million (2009 - £2 9 million) The board is recommending an unchanged final dividend of 1 35 pence per ordinary share

Net debt and gearing

	2010	2009
	£million	£million
Underlying cash flow	**6.4**	9 9
Interest and tax	**(0.8)**	(1 0)
Capital expenditure	**(2.8)**	(3 6)
Free cash flow	**2.8**	5 3
Pension payments above regular cost	**(1.9)**	(1 4)
Other non recurring	**0 2**	-
Proceeds from share capital	**4.4**	0 4
Equity dividends	**(1.1)**	(1 1)
Cash flow available for corporate activities	**4.4**	3 2
Development expenditure	**(1.2)**	(1 1)
Acquisitions and disposals	**(0.4)**	(2 4)
Exchange movement	**0.5**	(3 8)
Decrease / (increase) in net debt in year	**3.3**	(4 1)

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

Net debt decreased in the year to £14 6 million (2009 - £17 9 million) This represents gearing of 24 8% (2009 – 34 0%) after excluding the net pension deficit

The most significant impact on net debt during the year was the 5% cash placing announced on 16 December 2009 which raised net proceeds of £3 5 million An additional £0 8 million was generated through the issue of shares from the exercise of employee share options and £0 1 million through the sale of shares from the Employee Trust to satisfy the exercise of share options for certain overseas employees

Underlying cash flow from operations was £6 4 million (2009 - £9 9 million) An increase in working capital impacted operational cash generation and this was mainly due to an increase in sub contract tooling debtors relating to the supercar lighting contracts at Wipac Working capital is expected to normalise during the new financial year as these programmes reach completion

Group capital expenditure was £2 8 million (2009 - £3 6 million) representing 91 4% of the total group depreciation charge (2009 – 105 6%) Free cash flow was £2 8 million (2009 - £5 3 million)

Pension contributions of £1 9 million (2009 - £1 4 million) above the regular pension cost were made during the year This included the annual recovery plan payment of £0 9 million, as well as scheme administration costs which are borne by the company

Other non recurring cash flows were £0 2 million (2009 - nil) with £1 3 million proceeds received from the sale of surplus property and fixed assets more than offsetting the £1 1 million cash cost of rationalisation, the majority of which related to the prior year Slough closure

Development expenditure of £1 2 million (2009 - £1 1 million) was capitalised during the year primarily in respect of Conductive Inkjet Technology

The net cash outflow due to acquisitions and disposals of businesses during the year was £0 4 million (2009 - £2 4 million) and this mainly relates to carry over costs from the acquisition of Jacottet Industrie in the previous financial year

Financing

At 31 March 2010 the total drawings on the group's £20 0 million medium term bank facilities were £18 7 million These committed facilities do not expire until June 2012 The group also has overdraft and other bank facilities totalling £11 9 million The two main covenants in the facility agreements are interest cover and the ratio of net debt to EBITDA and the group has a very secure level of headroom on both of these covenants as at 31 March 2010

Under the facility agreements the group's lending banks hold security over the current assets of its three main UK trading subsidiaries and as at 31 March 2010 the value of this security was £21 2 million (2009 - £17 8 million)

On 16 December 2009 the group announced that it had placed 2,858,000 new shares raising funds of £3 7 million before expenses These funds are being invested in a number of growth projects at Conductive Inkjet Technology, including the touch screen programme with Atmel Corporation The group's strategy is to continue to reduce its debt level during the period running up to its next re-financing and, therefore, it was appropriate to raise equity investment for these growth investments

Pensions

As at 31 March 2010 the pension deficit, as calculated under the provisions of IAS 19 "Employee Benefits", was £14 5 million, net of deferred tax (2009 – £12 9 million) Although there was a significant increase in the value of the investments held by the pension scheme during the year, this was more than offset by the increase in the pension scheme liability due to the steep decline in corporate bond yields on which the discount rate assumption is based

The IAS 19 current service cost for the year was £0 2 million (2009 - £0 5 million) The group income statement also reflects an IAS 19 financing charge of £0 4 million (2009 – credit of £0 9 million) which represents the difference between the interest charge on the pensions scheme liability and the expected return on the pension scheme assets In the current financial year this charge will revert to a credit reflecting the significant improvement in equity markets in the period to 31 March 2010

The cash cost of employer pension contributions during the year was £0 5 million An additional £1 6 million was paid into the pension scheme during the year - £0 9 million of this was the last payment due under the four year recovery plan and the remaining £0 7 million was scheme administration costs and the Pension Protection Fund levy

During the year the group agreed a new recovery plan with the pension scheme trustees based on the triennial valuation at 31 March 2009 updated to 30 September 2009 It has been agreed that annual contributions of £0 9 million per year will be payable from 31 October 2010 for a period of 15 years These annual payments, which will be indexed at 2 9% per annum from the commencement date of the new recovery plan, are similar to the contributions under the previous plan, although the recovery plan period has been extended in order to correct the increased funding shortfall

At 31 March 2010 group properties with a net book value of £6 8 million and cash of £1 2 million were subject to a registered charge in favour of the group pension scheme

Property disposals

The group disposed of two surplus properties Its Llanelli site was sold early in the financial year for net proceeds of £0 5 million, resulting in a profit of £0 1 million The group also sold its Lichfield site for net proceeds of £0 6 million, equivalent to its net book value

Conductive Inkjet Technology ("CIT")

The total amount of development expenditure capitalised during the year in respect of CIT was £1 1 million (2009 - £1 1 million) In addition, CIT also incurred £0 4 million (2009 - £0 4 million) on capital expenditure, the majority of which related to the installation of the production line for capacitive touch screens at our Cambridge facility

The group balance sheet now includes intangible assets totalling £13 6 million in respect of CIT, of which £6 6 million is capitalised research and development funded by the group The remaining £7 0 million relates to the fair value assigned to patents and goodwill which has arisen from the accounting treatment of the acquisitions of the minority holdings from our original joint venture partner The group's policy is to amortise these intangibles on a straight line basis over the estimated economic life of the intangible asset which is judged to be a period of up to 12 years from the date upon which the patent or related development expenditure enters commercial production During the year amortisation of £0 1 million (2009 - £0 1 million) was charged

CIT generated revenues of £0 3 million during the year, approximately half of which resulted from the recognition of part of the US $0 5 million payment received from Atmel under their agreement to pay US $1 0 million in order to secure preferential access to CIT's production capacity and technology for the production of capacitive touch screens

Robert Brooksbank

8 June 2010

Directors and advisers

Directors

* Christopher Ross - chairman
Ian Williamson - chief executive
Robert Brooksbank
* Michael Derbyshire
* + Bill Tame

* non executive
+ senior independent director

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Eric Cook

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Registered Company Number 196249

Directors' report

The directors submit their eighty seventh annual report together with the accounts for the year ended 31 March 2010

Principal activities

The group's activities are shown on page 62

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

The statutory information required concerning the review of the business, key performance indicators, events since the year end and future developments is contained in the "Overview" and "Outlook" sections of the chairman's statement, the "Strategic development" and "Operating review" sections of the chief executive's review and the "Financial summary" section in the finance director's review on pages 3 to 12 The directors' review of the risks faced by the group is detailed on pages 20 to 22

Profits and earnings

The profit of the group before taxation after charging net interest of £828,000 (2009 – credit of £144,000) amounted to £4,623,000 compared with a profit of £3,651,000 for the previous year After taxation the profit per ordinary 5 pence share was 5 9 pence compared with 5 1 pence for the previous year

Dividends

The directors recommend that a final dividend of 1 35 pence be paid (2009 – 1 35 pence), making a total dividend for the year of 2 0 pence (2009 – 2 0 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 interests

Donations

During the financial year the group made no charitable or 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 2010 for the holding company was 21 (2009 – 37)

Shareholders

At 31 March 2010 the company had 1,675 ordinary shareholders Their holdings are analysed as follows -

	Number of shareholders	% of shareholders	% of shares in issue
Number of shares			
1 – 50,000	1,626	97	11
50,001 – 100,000	10	1	1
100,001 – 500,000	16	1	6
Over 500,000	23	1	82
	1,675	100%	100%

	% of shares in issue
Category of shareholders	
Institutions	80
Directors	1
Others	19
	100%

Substantial holdings

The directors are aware of the following holdings of the company's issued ordinary share capital as at 19 May 2010 -

Ruffer LLP	7,369,564	12 00%
Henderson Global Investors	5,957,591	9 70%
Tweedy Browne & Co	5,448,306	8 87%
Schroder Investment Management	4,287,392	6 98%
Hermes Pension Management	3,122,098	5 08%
Legal & General Investment Management	3,066,878	4 99%
Standard Life Investments	2,257,514	3 67%
M&G Investment Management	2,130,000	3 47%

Directors

The directors at the date of this report are listed on page 13

Christopher Ross and Robert Brooksbank retire by rotation and, being eligible, offer themselves for re-election As noted in the chairman's statement, the board proposes to extend Ian Williamson's service contract until 27 March 2013 He, therefore, also offers himself for re-election

Biographies of directors proposed for re-election

Christopher Ross FREng Age 65

A non executive director from September 2003 and appointed group chairman on 1 January 2006 He is a chartered engineer and a Fellow of the Royal Academy of Engineering He is currently deputy chairman of Manganese Bronze Holdings plc and a non executive director of The Electric Car Corporation Plc and Infracharge Plc He was previously chief executive of Molins plc, Ricardo plc and Wagon Automotive Limited

Robert Brooksbank Age 44

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

Ian Williamson Age 59

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 He is a non executive director of Suprajit Engineering Limited, a manufacturer of automotive components, based in Bangalore, India

Biographies of other directors

Michael Derbyshire Age 62

A non executive director and chairman of the remuneration committee from 1 January 2006 He has recently stepped down as chairman of Survitec Group Limited following the sale of this private equity backed business He is also a non executive director and senior independent director of Havelock Europa plc, a publicly quoted company He is a chemical engineer and was previously chief executive of Whitecroft plc and chairman of Racal Acoustics Global Limited, Axell Wireless Limited and Allied Textiles Limited

Bill Tame Age 55

A non executive director from 1 January 2006 and chairman of the audit committee and senior independent director from 1 April 2006 He is currently finance director of Babcock International Group plc and formerly worked for Courtaulds plc before moving to Scapa Group plc as group finance director

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 28 to 33

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chief executive's review on pages 5 to 8 The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the finance director's review on pages 9 to 12 In addition note 25 to the financial statements includes the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

The group has medium term loan facilities totalling £20 0 million with two UK banks These five year multi-currency revolving credit facilities are due for renewal in 2012 and the group will open renewal negotiations with the banks at the appropriate time The group meets its day to day working capital requirements through overdraft facilities which are due for renewal in early 2011

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

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Environmental policy

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

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

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

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

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

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

Explanation of business of the annual general meeting 2010

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 28 to 33 of the company's annual report 2010 (resolution 2)

b) The biographies of the directors retiring at the annual general meeting who wish to seek re-election are contained on page 16 of the directors' report (resolutions 4A, 4B and 4C)

c) A resolution to re-appoint KPMG Audit Plc as the company's auditors will be put to the members at the annual general meeting (resolution 5A)

d) The directors have the power to allot shares in accordance with section 551 of the Companies Act 2006, 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 £1,023,861 nominal amount (equivalent to one third of the present issued ordinary share capital as at 8 June 2010) (resolution 6)

e) The directors have the power in accordance with section 570 of the Companies Act 2006, to allot shares for cash, other than by way of a rights issue, as if section 561 of that Act did not apply, 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 £153,579 in nominal amount for cash (being approximately 5% of the current issued ordinary share capital as at 8 June 2010 as if section 561 of the Companies Act 2006 did not apply) (resolution 7)

f) Under section 701 of the Companies Act 2006 the company may, with the authority of an appropriate shareholders' resolution, purchase its own shares The directors are seeking authority from the shareholders for the company to effect such purchases (resolution 8) Any such purchase would be made "on-market" (i e on the London Stock Exchange in the normal way) Any such purchase would be upon, and subject to, the following conditions -

   i) the maximum number of ordinary shares that may be purchased under this authority is 6,143,170 shares (being approximately 10% of the present issued share capital of the company as at 8 June 2010);

   ii) the minimum price which may be paid for an ordinary share is the nominal value of the ordinary share,

   iii) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the share is purchased, and

   iv) this authority shall expire on 1 December 2011 or, if earlier, at the conclusion of the company's annual general meeting to be held in 2011

   There were outstanding at 8 June 2010, options to subscribe for 691,000 ordinary shares, representing 1 1% of the current issued share capital If the full share purchase authority were utilised, the options outstanding would represent 1 2% 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 2009 annual general meeting

g) Finally, resolution 9 will seek shareholder approval to allow the company to call general meetings (other than annual general meetings) on 14 clear days' notice The approval will be effective until the company's next annual general meeting, when it is intended that a similar resolution will be proposed

Resolutions to implement the above authorities will be found in the notice of general meeting on pages 71 to 73 and the authorities would last until the annual general meeting in 2011 or on 1 December 2011 whichever is the earlier

The directors believe that the adoption of all the resolutions set out in the notice of meeting dated 25 June 2010 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

8 June 2010

Directors' review of the risks faced by the group

The management of Carclo actively seeks to identify and manage the risks to which the group is exposed The main risks faced by the group, as determined by the directors, are -

Global economy

The major economies throughout the world have recently gone into a sharp recession This introduces volatility and uncertainty in both the industries and customers served by the group and clearly increases the risk profile for all businesses

Carclo's operational gearing is high and the biggest risk currently faced by the group would be a sharp reduction in demand as global economic output reduces Carclo serves a number of markets, such as medical and supercar markets, which are detached from general consumer activity and have, so far, been largely unaffected by the global recession Should demand be impacted in these markets, Carclo has a proven track record of acting swiftly to rebalance the supply base with demand

Reliance on major customers

The proportion of revenues generated from the top five customers in the year was 40 8% (2009 – 40 1%) One customer accounted for 15 6% of revenues (2009 – 14 6%) No other customer accounted for more than 10 0% of revenues in the year or prior year

The major customers are blue-chip multi-nationals operating in the medical, teletronics and automotive markets Focusing on key customers brings significant opportunities to develop in low cost regions and enhance the customers' products through our own technologies However, the associated risk is the potential loss of such customers either through competitive pressures, relocation or insolvency Such risks are mitigated through being able to offer world-class quality and costs, flexibility in manufacturing location and, in the case of insolvency, through the application of credit insurance across the group

During the course of the prior year, the group's credit insurer reduced or eliminated cover on a number of customers, particularly in the automotive sector The resultant increase in credit risk was managed by renegotiating payment terms as appropriate During the year ended 31 March 2010 credit insurance has been reinstated in a limited number of such cases The level of bad debts experienced in the year was negligible

Raw material sourcing

Carclo's businesses use engineering polymers to produce finished products Polymers are produced from feedstock which is linked to oil and polymer prices which move in response to supply and demand and the underlying cost of feedstock This potentially introduces volatility in the cost of raw materials processed by the group In the three years to 31 March 2010, oil prices have ranged from US $34 to US $145 per barrel Oil prices have been on a progressively rising trend during the last financial year and stood at US $80 at 31 March 2010 This risk is managed in the main by negotiating pass through pricing whereby our customer accepts the risk of movements in base polymer prices

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

Global operations

Carclo has expanded into low cost regions The risks associated with this are -

i) Management control

A centrally managed common information technology system is used throughout the group, which, combined with standardised operating procedures and pricing models, allows management oversight and investigation independent of location

ii) Management cultural differences

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

We undertake frequent visits to our global locations and pay particular attention to the recruitment of quality technical and financial staff In low cost regions retaining staff against the background of a fast growing economy is a challenge

We address this by ensuring an effective and efficient working environment, and by succession planning to ensure that we maintain continuity of trained staff

iii) Regulatory risk

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

Energy costs

Over the last couple of years, energy costs in the UK have been volatile Carclo's operating businesses are not especially energy intensive but even so in the year ended 31 March 2010, Carclo's electricity costs amounted to £2 1 million (2009 - £2 1 million) Price increases were offset by the effect of closing two facilities in the prior year To mitigate the risk of price volatility, Carclo is part of a UK corporate pool which enters into fixed tariffs on rolling contracts, typically six months in duration This is done in consultation with independent energy consultants For the main overseas companies, electricity prices are established on twelve month contracts

Innovation and investment in new technologies

Carclo invests in new technologies and proprietary know-how Examples include -

- Conductive Inkjet Technology ("CIT")
- microfluidic diagnostic devices
- new methodologies to surface coat optical plastics
- soluble polymers

These innovations and the development of new technology require a significant level of time and investment to advance the technology to a commercially viable application The most advanced technology is CIT The group currently has intangible assets of £13 6 million associated with the development of CIT's innovative process although Carclo's actual development expenditure in cash is less than half of this

There is an inherent risk that such development work may ultimately not be commercially viable or may be attacked by competing technologies Carclo aims to limit its risk by undertaking detailed financial and commercial due diligence of potential opportunities prior to investing We prefer to co-invest with partners who have expertise in the field Wherever possible development work is protected by a series of robust worldwide patents

Where possible, funding for significant incremental investment is sought in advance of the investment In December 2009 Carclo announced that it had entered into an agreement with Atmel Corporation ("Atmel") for the development and launch of an innovative new touch screen product based upon CIT's patented technology This will require a new production facility to be installed at CIT's premises in Cambridge Funding for this will come through a series of up front payments from Atmel (totalling US $1 0 million subject to the achievement of certain milestones) and through a cash share placing which raised £3 5 million

Whilst there are risks inherent with any development investment of this nature, the potential benefits are significant and this investment is necessary to remain competitive and drive the growth of the group

Pensions

Carclo's defined benefit pension scheme is very mature and large compared with the size of Carclo The scheme is backed by substantial assets amounting to £141 9 million at 31 March 2010 (2009 - £113 7 million)

Small adjustments to the assumptions used to calculate the pension liability, or significant swings in bond yields or stock markets, can have a large impact in absolute terms on the net assets of the group This has introduced an increased level of volatility to the group balance sheet and the impact of the net pension obligation on the level of distributable reserves is monitored on an on going basis

A triennial valuation of the scheme was undertaken as at 31 March 2009 and, based on this valuation, the group agreed a revised recovery plan with the trustees The recovery plan requires annual contributions of £0 9 million to be made commencing 31 October 2010 for a period of 15 years

In order to further reduce the risk associated with volatility of the scheme's liabilities, the group has elected to cease future accrual with effect from 1 October 2010 This follows an extensive consultation process with the active members of the scheme All members will be invited to join the scheme's defined contribution section

Funding and banking covenants

Medium term committed bank facilities have been agreed which include a number of financial covenants which are normal for facilities of this type Whilst there is currently good headroom on the covenants, the board continue to monitor the forecast position monthly in order to ensure that adequate headroom is maintained The facilities fall due for renewal in June 2012

Foreign exchange exposure

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

The group aims to manage transaction risk through a natural hedge, whereby sales revenues and costs in each currency across the group as a whole are matched as far as is practicable The mismatch of transaction flows is small in the context of the total group revenues

The group's policy is to hedge the major overseas assets by equivalent currency borrowings so that the balance sheet is not exposed unduly to significant fluctuations in currency This is balanced against any associated treasury inefficiency associated with excessive currency borrowings At 31 March 2010 the group had term loan borrowings of US $10 6 million which are being used to hedge the assets held in the USA and €7 5 million which is used to hedge the assets in France and the Czech Republic

Further details on the group's foreign currency exposures can be found in note 25 of the report and accounts

Information technology

The group now operates on a common centrally managed computer platform This provides common reporting and control systems and the ability to manage and interrogate businesses remotely However, there are associated risks, such as IT security, access rights and business continuity, with having all the group IT systems on a common platform These risks are mitigated by an increased focus on IT security by internal audit through the internal audit process and investment in IT facilities to maintain separacy and redundancy for the hardware and communications infrastructure

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 and as revised in July 2006 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 two other non executive directors, including W Tame who has been nominated as senior independent director It is the board's opinion that all the 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 C G Ross and R J Brooksbank retire at this year's annual general meeting and offer themselves for re-election The biographies of the directors appear on page 16

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, E 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 nine times each year) and there is contact between meetings to progress the company's business During the year attendance by directors at meetings of the board and the various committees is set out below

	Board meetings		Remuneration		Audit	
	No Held	No Attended	No Held	No Attended	No Held	No Attended
C G Ross	9	9	4	4	3	3
M J C Derbyshire	9	9	4	4	3	3
W Tame	9	8	4	4	3	2
I Williamson	9	9	-	-	-	-
R J Brooksbank	9	9	-	-	-	-

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 All directors receive training and briefing on joining the board and subsequently as appropriate 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 shortlisted for appointment before recommending an appointment to the board

In the last twelve months the full committee has met once to discuss succession planning and board performance

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 M J C Derbyshire 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 28 to 33 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 annual general meeting to approve the directors' remuneration report

Audit committee

The audit committee, which is chaired by W Tame, 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 auditors 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 operating companies The committee meets each month and is responsible to the board for running the ongoing operations of the group's businesses

Finance, administration and risk management committee

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

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 annual general meeting resolution is declared after the resolution has been dealt with on a show of hands providing no poll has been called for Details of the resolutions to be proposed at the annual general meeting on 2 September 2010 can be found in the notice of meeting on pages 71 to 73

Accountability and audit

Directors' responsibilities

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

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

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations

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

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 2010, 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 auditors and its findings, the group's accounts and the scope of work undertaken by the external auditors Reviews are undertaken regularly and cover each accounting year and the period up to the date of approval of the accounts

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

a) **Matters reserved for the board**

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

b) **Organisational structure**

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

c) **Financial control and reporting**

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

d) **Internal auditor**

Mazars LLP continues to provide the outsourced internal audit function 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 exception (references in brackets are to the relevant Combined Code provision) -

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 independent non executive directors, the group chairman 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

Responsibility statement of the directors in respect of the annual report

We confirm that to the best of our knowledge -

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

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

By order of the board

8 June 2010

Directors' remuneration report

Remuneration policy

The directors' remuneration is determined by the remuneration committee which comprises all three non executive directors The committee meets approximately four times a year and is chaired by M J C Derbyshire 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 incentives 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, such that the latter has the potential to form a significant portion of the total remuneration package
- to align the interests of shareholders and directors by having short and long term performance related remuneration linked to the group's earnings and shareholder return

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 on the rates of salary for similar positions in comparable companies

ii) **Performance related bonus** - executive directors usually 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

However, the STI scheme was suspended in 2009/10 (and salaries frozen) due to the economic downturn and no bonus is payable in respect of the 2009/10 results The STI scheme has been reintroduced for 2010/11 and will again be 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 40% of the finance director's basic salary

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 pages 30 to 31

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 two long term incentive schemes, the Executive Share Option Scheme 2000 and the Performance Share Plan 2007 (the "New PSP") The committee does not envisage a situation where awards will be made to the same individual under both schemes in the same financial year

Executive Share Option Scheme 2000 - Shareholder approval was received in September 2000 for the introduction of the Executive Share Option Scheme 2000 which features discretionary annual awards of options to senior executives at values linked to salary The options will be exercisable if appropriate performance criteria are achieved as determined by the remuneration committee

The Executive Share Option Scheme 2000 is due to expire on 2 October 2010 No options have been awarded during 2009/10

Performance Share Plan 2007 – Shareholder approval was received in September 2007 for the introduction of the New PSP which features discretionary annual awards to senior executives at values linked to salary

The New PSP reflects current best practice and has awards which will vest if performance conditions are satisfied These targets are set by the committee having regard to market conditions and the need to motivate staff

The third conditional awards of shares under the New PSP were made to I Williamson, R J Brooksbank and 14 senior managers on 17 December 2009 For the third awards, the New PSP will again have a split performance condition whereby half of the awards would vest after three years based on performance compared to TSR and the remaining half would vest based on EPS performance

For these awards, half of the awards will vest on a sliding scale from 25% if EPS growth exceeds RPI by 5% per annum or more over the three year period beginning with the year of grant, rising to 100% if EPS growth exceeds RPI by 12% per annum

The other half of the awards will vest on a sliding scale from 25% if TSR exceeds the median performance of the constituents of the FTSE Small Cap Index over the three year period ending on 30 September 2012 rising to 100% for upper quartile performance These conditions will be reviewed annually by the committee to ensure they are consistent with current best practice

Directors' remuneration and pension entitlements

i) The directors constitute the group's key management personnel Their remuneration is as follows -

	Fees £000	**Salary £000**	**Benefits £000**	**Bonus £000**	**Total 2010 £000**	Total 2009 £000
Non executive directors						
C G Ross	**67**	-	-	-	**67**	67
M J C	**26**	-	-	-	**26**	26
Derbyshire	**26**	-	-	-	**26**	26
W Tame						
Executive directors						
I Williamson	-	**237**	**12**	-	**249**	273
R J Brooksbank	-	**134**	**11**	-	**145**	155
Total	**119**	**371**	**23**	-	**513**	547
2009	119	371	23	34	547	

In addition, pensions of £5,689 (2009 - £6,745) 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

iii) The highest paid director received emoluments, excluding pension benefits, of £249,000 (2009 - £273,000)

v) The number of directors who are eligible to receive retirement benefits under the group's defined benefit scheme at 31 March 2010 was nil (2009 – nil)

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

I Williamson receives a pension contribution calculated at 20% of salary which is paid into an approved personal pension on I Williamson's behalf The total contribution paid in the year was £47,380 (2009 - £47,380)

R J Brooksbank also receives a pension contribution calculated at 20% of salary which is paid into an approved personal pension on R J Brooksbank's behalf The total contribution paid in the year was £26,780 (2009 - £26,780)

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 2010		31 March 2009	
	Ordinary shares	**Options**	Ordinary shares	Options
C G Ross	**31,500**	**-**	31,500	-
I Williamson	**637,823**	**278,000**	504,223	652,000
R J Brooksbank	**185,450**	**60,000**	100,000	351,000
M J C Derbyshire	**40,000**	**-**	15,000	-
W Tame	**29,000**	**-**	19,000	-

Directors' share options

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

	At 1 April 2009	Granted	Exercised	At 31 March 2010	Exercise price £	Date from which exercisable	Expiry date
I Williamson							
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
Executive Scheme 2000	123,000	-	-	123,000	0 80	14 9 08	13 9 15
Executive Scheme 2000	135,000	-	-	135,000	0 77	15 9 09	14 9 16
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
Executive Scheme 2000	67,000	-	(67,000)	-	0 80	14 9 08	13 9 15
Executive Scheme 2000	74,000	-	(74,000)	-	0 77	15 9 09	14 9 16

ii) The market price of the 5p ordinary shares on 31 March 2010 was 145p

iii) On 16 December 2009, I Williamson exercised options over 374,000 shares and sold 240,400 of these shares at 128 5p to fund the exercise price and attendant tax liability His shareholding therefore increased by 133,600 shares as a result of this transaction On the same date R J Brooksbank exercised options over 291,000 shares and sold 205,550 of these shares at 128 5p to fund the exercise price and attendant tax liability His shareholding increased by 85,450 shares as a result of this transaction

iv) During the year, the price of the company's ordinary shares ranged from 60 5 p to 175p

v) 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

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

Directors' share awards under the New PSP

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

Director and year of award	At 1 April 2009	Granted	Lapsed	At 31 March 2010	Market value per share at date of award £	Determination Date
I Williamson						
PSP 2007	129,000	-	-	129,000	0 95	4 12 10
PSP 2008	129,000	-	-	129,000	0 86	22 6 11
PSP 2009	-	**165,000**	-	**165,000**	**1 31**	**16 12 12**
R J Brooksbank						
PSP 2007	73,000	-	-	73,000	0 95	4 12 10
PSP 2008	73,000	-	-	73,000	0 86	22 6 11
PSP 2009	-	**93,000**	-	**93,000**	**1 31**	**16 12 12**

ii) The performance conditions attaching to the 2009 award are set out in paragraph iii) of the long term incentives section on page 29

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

The current service contracts for the executive directors terminate on the executive's 60th birthday As noted in the chairman's statement, the board wishes to retain I Williamson as chief executive beyond his 60th birthday on 27 March 2011 and proposes to extend his contract until 27 March 2013 when he will reach the age of 62 to enable him to continue the development of the Carclo group and, specifically, to oversee the commercialisation of Conductive Inkjet Technology

I Williamson was re-elected at the 2008 annual general meeting and would, therefore, not normally fall due for re-election before his contracted date of retirement He will, however, stand for re-election at the next annual general meeting on 2 September 2010 to allow shareholders to vote on the extension to his employment contract His new conditions of employment and remuneration package are summarised below –

- Salary (which has been static since 1 April 2008) to remain fixed at £236,900 per annum and car allowance of £12,000 per annum to continue
- No further pension payments after payment to be made 1 October 2010
- The short term incentive scheme (maximum 50% of salary based on group EPS growth) to continue

- One off long term incentive grant under the New PSP at 4x salary with two performance parameters 50% based on a relative TSR measure in line with previous awards under the plan and 50% based on absolute share price growth – nil vesting at a share price of 200p per share to 100% vesting at 300p per share on a straight line basis The remuneration committee has retained the discretion to adjust the level of vesting of the absolute return award if the underlying financial performance of the group becomes unsatisfactory

- No further performance share plan grants

ii) **Non executive directors**

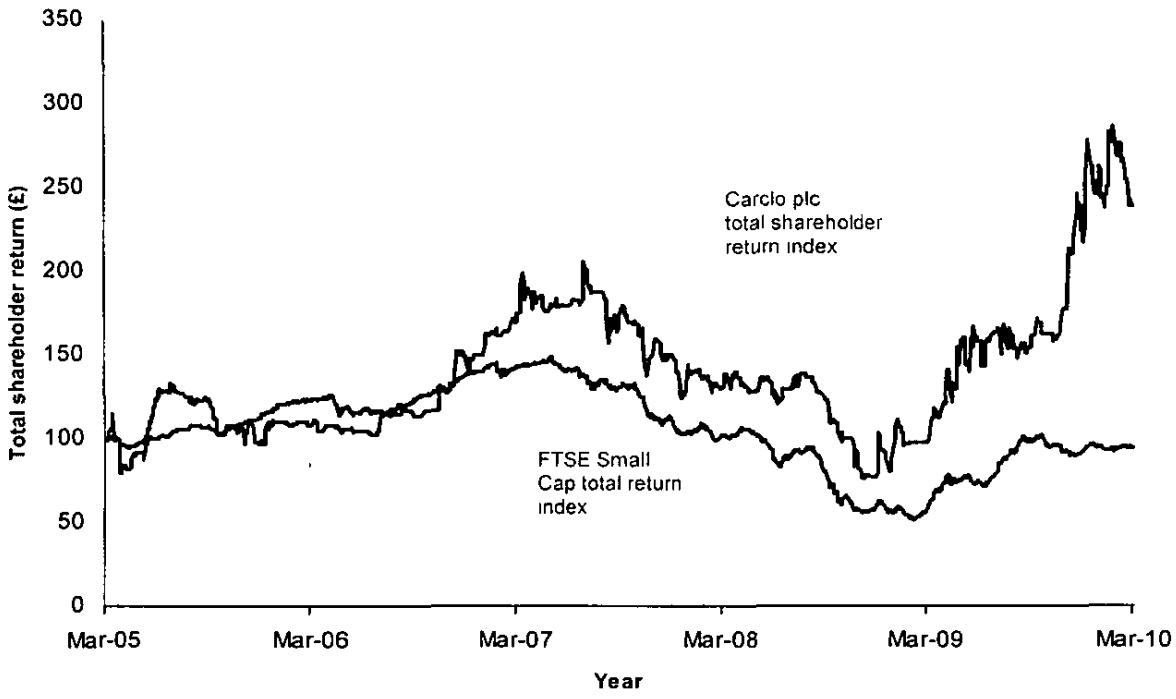
The non executive directors have letters of appointment with the company, under which they have been appointed up to the following dates -

C G Ross	Annual general meeting in 2010
M J C Derbyshire	Annual general meeting in 2012
W Tame	Annual general meeting in 2012

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 performance share plan, executive share option schemes or pension scheme

Related performance graph

The following graph shows the value at 31 March 2010 of a £100 investment made in the shares of Carclo plc on 1 April 2005 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 29 to 31 has been audited - directors' remuneration and pension entitlements and directors' share options

On behalf of the board

M J C Derbyshire

Chairman of the remuneration committee

8 June 2010

Independent auditor's report
to the members of Carclo plc

We have audited the financial statements of Carclo plc for the year ended 31 March 2010 set out on pages 31 to 68 The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland)

Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKP

Opinion on financial statements

In our opinion -

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion -

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the statement of corporate governance set out on pages 23 to 27 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following -

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a statement of corporate governance has not been prepared by the company

Under the Listing Rules we are required to review -

- the directors' statement, set out on pages 16 to 17, in relation to going concern, and
- the part of the statement of corporate governance on page 26 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

RI Moffatt (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc
Chartered Accountants
Leeds

8 June 2010

Consolidated income statement

year ended 31 March

	Notes	2010 £000	2009 £000
Revenue	2	**81,152**	87,436
Underlying operating profit			
Operating profit before exceptional costs		**5,669**	6,212
- rationalisation costs	5	**(297)**	(2,435)
- exceptional bad debts		**-**	(270)
After exceptional costs		**5,372**	3,507
Operating profit	2	**5,372**	3,507
Profit on sale of surplus property		**79**	-
Profit before financing costs		**5,451**	3,507
Finance revenue	6	**8,521**	10 871
Finance expense	6	**(9,349)**	(10,727)
Profit before tax		**4,623**	3,651
Income tax expense	7	**(948)**	(456)
Profit after tax but before loss on discontinued operations		**3,675**	3,195
Loss on discontinued operations, net of tax	8	**(223)**	(270)
Profit after tax, attributable to equity holders of the parent		**3,452**	2 925
Earnings per ordinary share	9		
Basic - continuing operations		**6 3 p**	5 6 p
Basic - discontinued operations		**(0 4) p**	(0 5) p
Basic - total		**5 9 p**	5 1 p
Diluted - continuing operations		**6 3 p**	5 6 p
Diluted - discontinued operations		**(0 4) p**	(0 5) p
Diluted - total		**5 9 p**	5 1 p

Consolidated statement of comprehensive income

year ended 31 March

	2010 £000	2009 £000
Profit for the period	**3,452**	2,925
Other comprehensive income -		
Foreign exchange translation differences	**(143)**	2 804
Actuarial losses on defined benefit scheme	**(3,634)**	(21,118)
Taxation on items taken directly to equity -		
Deferred tax	**1,087**	4,869
Corporation tax	**354**	-
Other comprehensive income, net of income tax	**(2,336)**	(13 445)
Total comprehensive income for the period, attributable to equity holders of the parent	**1,116**	(10 520)

Consolidated statement of financial position

as at 31 March

	Notes	2010 £000	2009 £000
Assets			
Intangible assets	11	34,758	33 774
Property, plant and equipment	12	26,227	27 017
Investments	13	623	660
Deferred tax assets	19	9,167	7,794
Total non current assets		70,775	69,245
Inventories	14	10,263	11,399
Trade and other receivables	15	20,414	18,032
Cash and cash deposits	16	10,205	6,405
Non current assets classified as held for sale	17	223	1,302
Total current assets		41,105	37,138
Total assets		111,880	106,383
Liabilities			
Interest bearing loans and borrowings	18	18,678	19,621
Deferred tax liabilities	19	4,902	4,519
Retirement benefit obligations	20	20,087	17,924
Provisions	21	-	945
Total non current liabilities		43,667	43,009
Trade and other payables	22	15,019	16,626
Current tax liabilities		1,906	1 884
Provisions	21	515	475
Interest bearing loans and borrowings	18	6,166	4,658
Total current liabilities		23,606	23,643
Total liabilities		67,273	66,652
Net assets		44,607	39,731
Equity			
Ordinary share capital issued	23	3,071	2,859
Share premium		8,042	3,916
Other reserves	24	3,584	3,656
Translation reserve	24	5,032	5,110
Retained earnings	24	24,878	24,190
Total equity attributable to equity holders of the parent		44,607	39 731

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

Christopher Ross directors
Robert Brooksbank

8 June 2010

Consolidated statement of changes in equity

	Attributable to equity holders of the company					
	Share capital £000	Share premium £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 April 2008	2,859	3,916	3 351	3 669	36 660	50,455
Profit for the period	-	-	-	-	2 925	2,925
Other comprehensive income -						
Foreign exchange translation differences	-	-	2,804	-	-	2,804
Actuarial losses on defined benefit scheme	-	-	-	-	(21,118)	(21,118)
Taxation on items taken directly to equity	-	-	(1 045)	-	5 914	4,869
Transactions with owners recorded directly in equity -						
Share based payments	-	-	-	-	105	105
Dividends to shareholders	-	-	-	-	(1,105)	(1 105)
Proceeds from sale of own shares	-	-	-	-	396	396
Transfer in respect of depreciation	-	-	-	(13)	13	-
Adjustment to deferred consideration	-	-	-	-	400	400
Balance at 31 March 2009	2,859	3,916	5,110	3,656	24,190	39,731
Balance at 1 April 2009	**2,859**	**3,916**	**5,110**	**3,656**	**24,190**	**39,731**
Profit for the period	-	-	-	-	**3,452**	**3,452**
Other comprehensive income -						
Foreign exchange translation differences	-	-	**(143)**	-	-	**(143)**
Actuarial losses on defined benefit scheme	-	-	-	-	**(3,634)**	**(3,634)**
Taxation on items taken directly to equity	-	-	**65**	-	**1,376**	**1,441**
Transactions with owners recorded directly in equity -						
Share based payments	-	-	-	-	**175**	**175**
Dividends to shareholders	-	-	-	-	**(1,175)**	**(1,175)**
Exercise of share options	**69**	**734**	-	-	-	**803**
Issue of shares	**143**	**3,392**	-	-	-	**3,535**
Proceeds from sale of own shares	-	-	-	-	**85**	**85**
Transfer in respect of depreciation	-	-	-	**(72)**	**72**	-
Adjustment to deferred consideration	-	-	-	-	**337**	**337**
Balance at 31 March 2010	**3,071**	**8,042**	**5,032**	**3,584**	**24,878**	**44,607**

Consolidated statement of cash flows
year ended 31 March

	Notes	2010 £000	2009 £000
Cash generated from operations	26	3,407	7,500
Interest paid		(477)	(934)
Tax paid		(378)	(238)
Net cash from operating activities		2,552	6,328
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		1,259	930
Interest received		45	154
Cash flow on discontinued operations		(160)	(115)
Acquisition of business undertaking, net of cash acquired		(214)	(1,849)
Acquisition of property, plant and equipment		(2,655)	(3 550)
Acquisition of intangible assets - computer software		(138)	(32)
Investment in Platform Diagnostics Limited		-	(406)
Development expenditure		(1,250)	(1 118)
Net cash from investing activities		(3,113)	(5 986)
Cash flows from financing activities			
Proceeds from the issue of share capital		3,535	-
Proceeds from exercise of share options		803	-
Proceeds from sale of own shares		85	396
Drawings on term loan facilities		1,000	6 767
Repayment of borrowings		(1,263)	(6,516)
Dividends paid		(1,147)	(1,073)
Net cash from financing activities		3,013	(426)
Net increase / (decrease) in cash and cash equivalents		2,452	(84)
Cash and cash equivalents at beginning of period		2,026	1,139
Effect of exchange rate fluctuations on cash held		(175)	971
Cash and cash equivalents at end of period		4,303	2,026
Cash and cash equivalents comprise -			
Cash and cash deposits		10,205	6,405
Bank overdrafts		(5,902)	(4,379)
		4,303	2 026

Notes on the accounts

1 Accounting policies

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") The company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 63 to 68

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

The following new standards, amendments or interpretations came into force for Carclo during the current financial year and have been adopted by the group from 1 April 2009 -

IAS 1 (revised) "Presentation of financial statements" This standard requires a condensed consolidated statement of changes in equity to be disclosed as a primary statement, in prior periods this has been disclosed in the notes to the accounts In addition the changes in equity are classified between those changes which are "owner" and "non owner" in nature The standard replaces the requirement to prepare a statement of total recognised income with a consolidated statement of comprehensive income This standard does not impact on the group's reported financial performance or position

IFRS 8 "Operating segments" This standard requires segmental information to be presented on the same basis as that used for internal reporting to the chief operating decision maker This has not resulted in a change to the reported segments

IFRS 2 (amendment)*	Share-based payment - Vesting conditions and cancellations
IAS 23 (revised)	Borrowing costs
IFRIC 13*	Customer loyalty programmes
IFRIC 14*	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 16	Hedges of a net investment in a foreign operation

* These standards and interpretations have been adopted by the EU

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period The following have not been adopted by the group in preparing the accounts for the year ended 31 March 2010 -

		Financial accounts in which the standards / interpretations are mandatory for Carclo plc
IFRS 3 (revised)	Business combinations	Year ended 31 March 2011
IAS 27 (amendment)	Consolidated and separate financial statements	Year ended 31 March 2011
IAS 39 (amendment)	Eligible hedged items	Year ended 31 March 2011

The application of these standards and interpretations is not expected to have a material impact on the group's reported financial performance or position However they may give rise to additional disclosures being made in the financial statements

a) Basis of accounting

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

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

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

b) Basis of consolidation

The group s financial statements consolidate the financial statements of the company and its subsidiary undertakings The results of any subsidiaries

c) Goodwill

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

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

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

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

d) Other intangible assets

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

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

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates All other expenditure is expensed as incurred

1 **Accounting policies** continued

e) Amortisation

Intangible assets other than goodwill, are amortised on a straight line basis to write off the cost of the asset less estimated residual value, over the estimated economic life of the asset Patents and development costs are amortised over a period of up to 12 years from the date upon which the patent or related development expenditure enters commercial production Customer distribution networks are amortised over 7 years and computer software over 3 to 5 years

f) Property, plant and equipment

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

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

Freehold buildings	2 0% - 5%
Plant and equipment	8 33% - 33 33%

No depreciation is provided on freehold land

g) Leases

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

h) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred Costs relating to the arranging of term loan borrowings are carried on the balance sheet and expensed on a straight line basis, over a five year period, being the period of the term loan facilities

i) Inventories

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

j) Revenue recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or if there is continuing managerial involvement with the goods

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

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

Revenues arising from the granting of preferential access to the group's technology is recognised over the preferential access period which is under the direct control of the group

k) Foreign currency transactions

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

l) Financial statements of foreign operations

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

m) Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges meeting the criteria for hedge accounting under IAS 39 are taken to the translation reserve They are released into the income statement upon disposal

The group has taken advantage of relief available under IFRS 1 to not separately recognise the cumulative translation differences for all foreign operations at the date of transition, 1 April 2004

1 **Accounting policies** continued

n) Dividends

Dividends are recorded in the group's financial statements in the period in which they become a legal liability of the company

o) Net operating expenses

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

p) Net financing costs

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

Interest is recognised in the income statement as it accrues, using the effective interest method

q) Cash and cash equivalents

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

r) Taxation

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

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

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

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

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend

s) Retirement benefit costs

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

The net obligation in respect of the defined benefit plans is the present value of the defined benefit obligations less the fair value of the plan's assets at the balance sheet date The assumptions used to calculate the present value of the defined benefit obligations are detailed in note 20

The operating and financing cost of the scheme are recognised separately in the income statement in the period they arose

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

t) Financial instruments

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

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

u) Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity The ineffective portion is recognised immediately in the income statement

v) Share based payments

The group issues equity settled share based payments to certain employees in exchange for services rendered by them The fair value of the share based award is calculated at the date of the grant and is expensed on a straight line basis over the vesting period with a corresponding increase in equity This is based on the group's estimate of share options that will eventually vest This takes into account movement of non market conditions, being service conditions and financial performance if relevant The fair value of the equity settled awards granted is not subsequently revisited

1 Accounting policies continued

w) Impairment

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

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

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

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

x) Exceptional items

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

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

y) Segment reporting

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

2 Segment reporting

At 31 March 2010, the group was organised into two main business segments - Technical Plastics and Precision Products These are the segments for which summarised management information is presented to the group's chief operating decision maker (comprising the main board and general executive committee)

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

The Precision Products segment supplies systems to the premium automotive and aerospace industries and is a leader in the development of high power LED lighting for supercars

Discontinued operations relate to the disposal of the group's automotive control cables business in May 2006 and the card clothing business in June 2005

Transfer pricing between business segments is set on an arm's length basis Segmental revenues and results include transfers between business

Analysis by business segment

The segment results for the year ended 31 March 2010 were as follows -

	Technical Plastics £000	Precision Products £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement					
Total revenue	51,124	30,525	281	(778)	81,152
Less inter-segment revenue	(636)	(142)	-	778	-
Total external revenue	50,488	30,383	281	-	81,152
Expenses	(46,082)	(27,740)	(1,661)	-	(75,483)
Underlying operating profit	4,406	2,643	(1,380)	-	5,669
Rationalisation costs	(275)	(10)	(12)	-	(297)
Operating profit	4,131	2,633	(1,392)	-	5,372
Profit on sale of surplus property					79
Profit before net finance charge					5,451
Net finance charge					(828)
Income tax expense					(948)
Loss on discontinued operations, net of tax					(223)
Profit after tax, attributable to equity holders of the parent					3,452

2 Segment reporting continued

Consolidated statement of financial position

	Technical Plastics £000	Precision Products £000	Unallocated £000	Eliminations £000	Group total £000
Segment assets	59,575	24,993	27,312	-	111,880
Segment liabilities	(10,289)	(9,710)	(47,274)	-	(67,273)
Net assets	49,286	15,283	(19,962)	-	44,607
Other segmental information					
Capital expenditure on property, plant and equipment	1,752	550	516	-	2,818
Capital expenditure on computer software	45	82	11	-	138
Depreciation	2,423	625	125	-	3,173
Amortisation of computer software	9	35	18	-	62

The segment results for the year ended 31 March 2009 were as follows -

	Technical Plastics £000	Precision Products £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated income statement					
Total revenue	55 033	33,000	135	(732)	87,436
Less inter-segment revenue	(620)	(112)	-	732	-
Total external revenue	54 413	32 888	135	-	87 436
Expenses	(50,691)	(29,144)	(1,389)	-	(81,224)
Underlying operating profit	3,722	3,744	(1,254)	-	6 212
Rationalisation costs	(2 274)	(54)	(107)	-	(2,435)
Exceptional bad debts	(270)	-	-	-	(270)
Operating profit	1,178	3,690	(1,361)	-	3 507
Net finance credit					144
Income tax expense					(456)
Loss on discontinued operations, net of tax					(270)
Profit after tax, attributable to equity holders of the parent					2,925

The segment results for the year ended 31 March 2009 were as follows -

	Technical Plastics £000	Precision Products £000	Unallocated £000	Eliminations £000	Group total £000
Consolidated statement of financial position					
Segment assets	61,293	23,316	21,774	-	106,383
Segment liabilities	(10,232)	(8 885)	(47 535)	-	(66,652)
Net assets	51,061	14,431	(25,761)	-	39 731
Other segmental information					
Capital expenditure on property, plant and equipment	2,040	1,039	404	-	3 483
Capital expenditure on computer software	2	18	12	-	32
Depreciation	2,530	586	162	-	3 278
Amortisation of computer software	17	26	7	-	50

2 Segment reporting continued

Analysis by geographical segment

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

The geographic analysis was as follows -

	External revenue		Segment assets		Expenditure on tangible fixed assets and computer software	
	2010	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000
United Kingdom	**29,428**	32,156	**10,473**	2 808	**2,130**	2,373
North America	**20,300**	21 780	**16,347**	16,815	**598**	842
Rest of world	**31,424**	33,500	**17,787**	20,108	**228**	300
	81,152	87,436	**44,607**	39,731	**2,956**	3,515

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

3 Operating profit

	2010	2009
	£000	£000
Operating profit is arrived at as follows -		
Revenue	**81,152**	87,436
(Decrease) / increase in stocks of finished goods and work in progress	**(1,725)**	609
	79,427	88,045
Raw materials and consumables	**35,721**	38,754
Personnel expenses (note 4)	**21,693**	24 642
Amortisation of intangible assets	**183**	156
Depreciation of tangible fixed assets	**3,173**	3,278
Auditors' remuneration -		
Audit fees of the parent company and consolidated accounts	**53**	41
Audit fees of the subsidiaries	**105**	99
Other non audit services	**64**	19
Total	**222**	159
Operating lease rentals -		
Property	**577**	843
Plant and machinery	**294**	312
Total	**871**	1,155
Rationalisation costs (see note 5)	**297**	2,435
Exceptional bad debts	**-**	270
Share of losses in associated company	**37**	11
Other operating charges	**11,858**	13,678
	74,055	84,538
Operating profit	**5,372**	3,507

4 Personnel expenses

	2010	2009
	£000	£000
Wages and salaries	**18,491**	21,010
Social security contributions	**2,566**	2 747
Charge in respect of defined benefit pension schemes (see note 20)	**206**	532
Charge in respect of defined contribution and other pension plans	**255**	248
Share based payments (see note 23)	**175**	105
	21,693	24 642

Redundancy costs of £0 203 million (2009 - £0 603 million) are excluded from the above analysis
Directors' remuneration and emoluments, which are included in this analysis, are described in the directors' remuneration report on pages 28 to 33

4 Personnel expenses continued

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

	2010 Number of employees	2009 Number of employees
By segment		
Unallocated	**26**	26
Technical Plastics division	**686**	832
Precision Products division	**284**	275
	996	1,133
By geographic location		
United Kingdom	**551**	604
North America	**174**	181
Rest of world	**271**	348
	996	1,133

5 Rationalisation costs

	2010 £000	2009 £000
Technical Plastics division	**275**	2,274
Precision Products division	**10**	54
Unallocated	**12**	107
	297	2,435

The rationalisation costs relating to the UK activities comprised redundancy costs of £0 128 million (2009 - £0 603 million) fixed asset write downs of £0 032 million (2009 - £0 369 million), provisions in respect of future property costs of £0 049 million (2009 - £1 070 million) and other operating expenses of nil (2009 - £0 393 million)

Rationalisation costs relating to the businesses based in the USA comprised redundancies of £0 045 million (2009 - nil) and other operating expenses of £0 013 million (2009 - nil)

Rationalisation costs in the rest of the world comprised redundancy costs of £0 030 million (2009 - nil)

6 Finance revenue and expense

	2010 £000	2009 £000
Finance revenue comprises -		
Interest receivable on cash at bank	**42**	136
Retirement benefits - expected return on plan assets	**8,479**	10,735
Finance revenue	**8,521**	10,871
Finance expense comprises -		
Bank loans and overdrafts	**(435)**	(894)
Retirement benefits - interest cost	**(8,914)**	(9 833)
Finance expense	**(9,349)**	(10,727)

7 Income tax expense

	2010 £000	2009 £000
The expense recognised in the consolidated income statement comprises -		
United Kingdom corporation tax		
Corporation tax on profits for the current year	(477)	-
Adjustments for prior years	(49)	12
Overseas taxation		
Current tax	(329)	(458)
Adjustments for prior years	4	72
Total current tax net expense	(851)	(374)
Deferred tax (charge) / credit		
Origination and reversal of temporary differences -		
Deferred tax	(187)	(393)
Adjustments for prior years	90	311
Total deferred tax expense	(97)	(82)
Total income tax expense recognised in the consolidated income statement	(948)	(456)

Factors affecting the tax charge 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 as follows -

	2010 £000	2010 %	2009 £000	2009 %
Profit before tax	4,623		3,651	
Income tax using standard rate of UK corporation tax of 28% (2009 - 28%)	1,294	28 0	1,022	28 0
Adjustments in respect of overseas tax rates	(28)	(0 6)	(27)	(0 7)
Utilisation of unrecognised overseas losses	-	-	(107)	(2 9)
Other timing differences	96	2 1	(111)	(3 0)
Movement in unprovided deferred tax	(265)	(5 8)	(18)	(0 5)
Other items not deductible for tax purposes	(104)	(2 2)	92	2 5
Adjustment to current tax in respect of prior periods (UK and overseas)	45	1 0	(84)	(2 3)
Adjustments to deferred tax in respect of prior periods (UK and overseas)	(90)	(2 0)	(311)	(8 6)
Total income tax charge in the consolidated income statement	948	20 5	456	12 5

Tax on items charged to equity -

	2010 £000	2009 £000
Deferred tax relating to actuarial losses on defined benefit scheme	(605)	(5 914)
Share based payments	(359)	-
Foreign exchange movements	(123)	1,045
Total income tax charged to equity	(1,087)	(4,869)

8 Loss on discontinued activities, net of tax

	2010 £000	2009 £000
Costs incurred in relation to non current assets held for sale	(200)	(134)
(Loss) / profit on disposal of surplus property	(23)	322
Impairment of non current assets held for sale	-	(458)
	(223)	(270)

In the year ended 31 March 2010, costs of £0 200 million were incurred in relation to non current assets held for sale (2009 - £0 134 million) These assets were properties which were used by businesses which were sold in prior years One of the assets, a property based in Lichfield, was disposed in the period for £0 569 million, net of attributable costs and generated a loss of £0 023 million

In the year ended 31 March 2009, a surplus UK property was disposed for a cash consideration net of attributable costs, of £0 751 million and gave rise to a profit of £0 322 million This property was formerly occupied by the card clothing business which was disposed in June 2005

9 Earnings per share

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

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

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

	2010 £000	2009 £000
Profit after tax from continuing operations	3,675	3,195
Loss on discontinued operations, net of tax	(223)	(270)
Profit after tax, attributable to equity holders of the parent	3,452	2,925

	2010 Shares	2009 Shares
Weighted average number of ordinary shares in the year	58,464,666	56 838 958
Effect of share options in issue	383,658	315,296
Weighted average number of ordinary shares (diluted) in the year	58,848,324	57,154 254

In addition to the above, the company also calculates an earnings per share based on underlying profit as the board believe this to be a better yardstick against which to judge the progress of the group Underlying profit is defined as profit before rationalisation costs, exceptional bad debts site closure costs and the impact of property and business disposals, net of attributable taxes

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

	2010 £000	2009 £000
Profit after tax, attributable to equity holders of the parent	3,452	2 925
Rationalisation costs net of tax	236	2,131
Exceptional bad debts, net of tax	-	236
Disposal of surplus property	(79)	-
Loss on disposal of discontinued operations, net of tax	223	270
Underlying profit attributable to equity holders of the parent	3,832	5,562

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

	2010 pence	2009 pence
Basic - continuing operations	6 3	5 6
Basic - discontinued operations	(0 4)	(0 5)
Basic - total	5 9	5 1
Diluted - continuing operations	6 3	5 6
Diluted - discontinued operations	(0 4)	(0 5)
Diluted - total	5 9	5 1
Underlying earnings per share - basic	6 6	9 8
Underlying earnings per share - diluted	6 5	9 7

10 Dividends paid and proposed

Ordinary dividends per 5 pence share declared in the period comprised -

	2010		2009	
	£000	Pence	£000	Pence
Final dividend for 2007/08	-	-	734	1 30
Interim dividend for 2008/09	-	-	371	0 65
Final dividend for 2008/09	776	1 35	-	-
Interim dividend for 2009/10	399	0 65	-	-
	1,175	2 00	1,105	1 95

The directors are proposing a final dividend of 1 35 pence per ordinary share for the year ended 31 March 2010 If approved at the annual general meeting on 2 September 2010, the dividend payment totalling £0 828 million will be paid on 9 September 2010 to shareholders on the share register at close of business on 6 August 2010

11 Intangible assets

	Goodwill £000	Patents and development costs £000	Customer related intangibles £000	Computer software £000	Total £000
Cost					
Balance at 1 April 2008	17,952	10,557	314	865	29 688
Additions	-	1 118	-	32	1,150
Acquisitions	1 247	-	78	-	1,325
Disposals	-	-	-	(187)	(187)
Adjustment in respect of deferred consideration not payable	(250)	-	-	-	(250)
Effect of movements in foreign exchange	2,726	-	15	59	2,800
Balance at 31 March 2009	21,675	11,675	407	769	34,526
Additions	-	1,250	-	138	1,388
Effect of movements in foreign exchange	(212)	-	(3)	(12)	(227)
Balance at 31 March 2010	21,463	12,925	404	895	35,687
Amortisation					
Balance at 1 April 2008	-	45	11	698	754
Amortisation for the year	-	53	53	50	156
Disposals	-	-	-	(187)	(187)
Effect of movements in foreign exchange	-	-	-	29	29
Balance at 31 March 2009	-	98	64	590	752
Amortisation for the year	-	63	58	62	183
Effect of movements in foreign exchange	-	-	1	(7)	(6)
Balance at 31 March 2010	-	161	123	645	929
Carrying amounts					
At 1 April 2008	17,952	10,512	303	167	28,934
At 31 March 2009	21,675	11,577	343	179	33,774
At 31 March 2010	21,463	12,764	281	250	34,758

Impairment tests for cash generating units containing goodwill

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

	2010 £000	2009 £000
Technical Plastics	18,737	18,895
Precision Products	1,795	1,849
Conductive Inkjet Technology	931	931
	21,463	21,675

11 Intangible assets continued

The recoverable amounts of the cash generating units are based on value in use calculations Those calculations use cash flow projections based on actual operating results and current forecasts Operating results, being the key assumption within the model, have been forecast for a period of ten years A ten year period has been utilised given the relatively stable nature of the segments Year one (2010/11) was based on detailed budgets prepared by management Years two and three are based on current management forecasts and years four to ten are extrapolated using the year three forecast and assuming growth of up to 7 5% per annum dependent upon the markets served The cash flows were discounted at a rate of 10 0% for Technical Plastics and Precision Products and 13 25% for Conductive Inkjet Technology

Based on these value in use calculations the carrying value of goodwill is supportable by the businesses to which it relates

Note 29 provides details of the assumptions used to assess the carrying value of patents and development costs

12 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 April 2008	17,258	46,189	63,447
Additions	523	2 960	3,483
Transfer to non current assets held for sale	(946)	(545)	(1,491)
Acquisition of business	-	378	378
Disposals	-	(1,562)	(1,562)
Transfers	358	(358)	-
Effect of movements in foreign exchange	1 721	3 424	5 145
Balance at 31 March 2009	**18,914**	**50,486**	**69,400**
Additions	**110**	**2,708**	**2,818**
Disposals	**(672)**	**(5,224)**	**(5,896)**
Transfers	**(532)**	**532**	**-**
Effect of movements in foreign exchange	**(117)**	**(345)**	**(462)**
Balance at 31 March 2010	**17,703**	**48,157**	**65,860**
Depreciation and impairment losses			
Balance at 1 April 2008	2 714	35,304	38 018
Depreciation charge for the year	520	2,758	3,278
Transfer to non current assets held for sale	(110)	(527)	(637)
Acquisition of business	-	246	246
Disposals	-	(1,439)	(1,439)
Impairment arising on site rationalisation	310	59	369
Transfers	350	(350)	-
Effect of movements in foreign exchange	447	2,101	2,548
Balance at 31 March 2009	**4,231**	**38,152**	**42,383**
Depreciation charge for the year	**444**	**2,729**	**3,173**
Disposals	**(672)**	**(5,101)**	**(5,773)**
Impairment arising on site rationalisation	**-**	**32**	**32**
Transfers	**(326)**	**326**	**-**
Effect of movements in foreign exchange	**(57)**	**(125)**	**(182)**
Balance at 31 March 2010	**3,620**	**36,013**	**39,633**
Carrying amounts			
At 1 April 2008	14,544	10,885	25 429
At 31 March 2009	14,683	12,334	27,017
At 31 March 2010	**14,083**	**12,144**	**26,227**

At 31 March 2010 properties with a carrying amount of £6 754 million were subject to a registered charge in favour of the group pension scheme (2009 - £7 409 million) The net impairment charge of £0 032 million (2009 - £0 369 million) arising on site rationalisation has been charged to rationalisation costs within the consolidated income statement

13 Investments

	2010 £000	2009 £000
Quoted investments	**7**	7
Investment in Platform Diagnostics Limited	**616**	653
	623	660

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

13 Investments continued

The group holds 29 8% of the voting equity of Platform Diagnostics Limited (2009 -29 8%) The carrying value of the investment comprises -

	2010 £000	2009 £000
Cost of investment	664	664
Share of profits and losses in Platform Diagnostics Limited since becoming an associate	(48)	(11)
	616	653

The net assets of Platform Diagnostics Limited at 31 March comprised -

	2010 £000	2009 £000
Assets	53	87
Liabilities	(248)	(158)
Net assets	(195)	(71)

In the year ended 31 March 2010, Platform Diagnostics Limited generated no revenues (2009 - nil) and a loss after tax, of £0 124 million (2009 - a loss of £0 590 million) The accounting reference date for Platform Diagnostics Limited is 30 April

14 Inventories

	2010 £000	2009 £000
Raw materials and consumables	5,239	5 470
Work in progress	554	643
Finished goods	4,470	5,286
	10,263	11 399

The value of inventories is stated after impairment for obsolescence and write downs to a net realisable value of £1 132 million (2009 - £1 089 million)

15 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	13,829	12,905
Less impairment provision	(215)	(605)
	13,614	12,300
Other debtors and prepayments	6,800	5 732
	20,414	18,032

The ageing profile of the trade receivables, net of impairment provisions, was as follow -

	2010 £000	2009 £000
Not past due	8,767	9,728
Past due 0 - 30 days	2,766	1,987
Past due 31 - 60 days	290	243
Past due 61 - 120 days	992	274
More than 120 days	799	68
	13,614	12,300

The impairment provision is calculated based on bad and doubtful debts and invoiced sales known to be disputed by the customer It is group policy to provide for all debts due from customers in administration or liquidation and all other debts which are more than 120 days overdue The only exception to this policy is in respect of sub contract tooling debtors where a proportion of the contract payment may not be due until final approval and sign off of the tool by the customer which may take a period of time Such debtors are assessed individually as to recovery The reduction in the impairment provision is due to the write off of the Delphi debt of £0 374 million Delphi, a US automotive customer went into Chapter 11 in October 2005 and its net receivable was provided in full at 31 March 2009 The increase in the debts overdue by more than 61 days is due to sub contract tooling invoices which are pending final customer sign off

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

16 Cash and cash deposits

	2010 £000	2009 £000
Cash at bank and in hand	10,205	6 405
	10,205	6,405

At 31 March 2010, cash of £1 156 million was subject to a registered charge in favour of the group pension scheme (2009 - £0 592 million)

17 Non current assets classified as held for sale

	2010 £000	2009 £000
Surplus land and buildings	223	1,284
Surplus plant and equipment	-	18
Net assets held for sale	223	1,302

At 31 March 2010, a surplus property with a net book value of £0 223 million has been classified as being held for sale This property is being actively marketed The carrying value of the surplus property is net of an impairment provision of £0 201 million During the year two surplus properties with a carrying value of £1 052 million were sold, generating net proceeds of £1 108 million

18 Interest bearing loans and borrowings

	2010 £000	2009 £000
Current -		
Bank overdrafts	5,902	4,379
Bank loans	264	279
	6,166	4,658
Non current -		
Bank loans repayable between one and two years	-	279
Bank loans repayable between two and five years	18,678	19 342
	18,678	19,621

Bank loans include £18 942 million (2009 - £19 900 million) secured on the assets of the group

The bank overdrafts are predominantly in sterling and bear interest at two percent above prevailing UK bank base rates

At 31 March 2010 and 31 March 2009, the group had medium term multi-currency revolving term loan facilities totalling £20 000 million which were entered into on 29 June 2007 and terminate on 29 June 2012 These facilities are split equally between the group's two principal UK bankers At 31 March 2010 these facilities were drawn to the extent of £18 678 million (2009 - £19 342 million) and incur interest at the rate of 0 7% above LIBOR

The bank loans are secured by guarantees from certain group companies and by fixed and floating charges over certain of the assets of a number of the group's companies At 31 March 2010 the gross value of the assets secured which includes applicable inter company balances, amounted to £30 451 million (2009 - £21 288 million) Excluding inter company balances the value of the security was £21 187 million (2009 - £17 811 million)

In addition, the main operating subsidiary company in the USA has term loans in place In aggregate these amounted to £0 264 million at 31 March 2010 (2009 - £0 558 million) These loans incur interest at 1% above the bank's prevailing prime rate and are due to terminate in 2010

19 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following -

	2010 £000	2009 £000
Assets -		
Property plant and equipment	2,323	1,722
Employee benefits	5,624	5 019
Short term timing differences	574	349
Share based payments	377	18
Tax losses	269	686
Deferred tax assets	9,167	7,794
Liabilities -		
Property, plant and equipment	-	30
Intangible assets	3,839	3,670
Short term timing differences	1,063	819
Deferred tax liabilities	4,902	4 519
Net deferred tax asset	4,265	3,275

19 Deferred tax assets and liabilities continued

Unrecognised deferred tax assets

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

	2010 £000	2009 £000
Tax losses - overseas	1,399	2 005
Tax losses - trading	74	79
Tax losses - capital	373	339
Tax losses - non trading	1,274	1 031
	3,120	3,454

Deferred tax assets have not been recognised on the balance sheet to the extent that the underlying timing differences are not expected to reverse in the foreseeable future The nature of the tax regimes in certain of the regions in which Carclo operates are such that tax losses may arise even though the business is profitable This situation is expected to continue in the medium term Capital losses will be recognised at the point when a transaction gives rise to an offsettable capital gain This was not the case at 31 March 2010 Similarly non trading losses will only be utilised against future non trading profits No such non trading profits are foreseen at 31 March 2010

The tax losses at 31 March 2010 are available to carry forward without time restriction At 31 March 2009, the unrecognised tax losses included £0 319 million of overseas tax losses which would expire within one year if not utilised These losses were not utilised in the year and have now expired

At 31 March 2010 there were no recognised deferred tax liabilities for taxes that would be deductible on the unremitted earnings of the group's overseas subsidiary undertakings (2009 - nil) as the group policy is to continually reinvest in those businesses If all earnings were remitted it is estimated that £0 069 million of additional tax would be payable (2009 - £0 049 million)

Movement in temporary differences during the year

	Balance as at 1 Apr 09 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 10 £000
Property, plant and equipment	1,692	631	-	2,323
Intangible assets	(3,670)	(169)	-	(3,839)
Employee benefits	5,019	-	605	5,624
Share based payments	18	-	359	377
Short term timing differences	(470)	(142)	123	(489)
Tax losses	686	(417)	-	269
	3,275	(97)	1,087	4,265

	Balance as at 1 Apr 08 £000	Recognised in income £000	Recognised in equity £000	Balance as at 31 Mar 09 £000
Property, plant and equipment	2 037	(345)	-	1,692
Intangible assets	(1,641)	(1,477)	(552)	(3,670)
Employee benefits	(241)	(654)	5 914	5 019
Share based payments	15	3	-	18
Short term timing differences	(1,682)	1,705	(493)	(470)
Tax losses	-	686	-	686
	(1,512)	(82)	4 869	3,275

20 Retirement benefit obligations

The group operated two defined benefit UK pension schemes which provide pensions based on service and final pay These schemes were merged into a single scheme on 31 March 2008 The defined benefit scheme is now closed to new entrants who now have the option of entering into a defined contribution scheme The assets are held in a separate trustee administered pension fund Outside of the UK retirement benefits are determined according to local practice and funded accordingly

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

	2010 £000	2009 £000
Present value of funded obligations	(161,972)	(131,657)
Fair value of scheme assets	141,885	113,733
Recognised liability for defined benefit obligations	(20,087)	(17,924)

20 Retirement benefit obligations continued

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

	2010 £000	2009 £000
Net (liability) / asset for defined benefit obligations at the start of the year	(17,924)	857
Contributions paid	2,112	1,967
Net (charge) / income recognised in the consolidated income statement (see below)	(641)	370
Actuarial losses recognised directly in equity	(3,634)	(21,118)
Net liability for defined benefit obligations at the end of the year	(20,087)	(17,924)

Movements in the present value of defined benefit obligations and scheme assets -

	2010 £000	2009 £000
Liability at the start of the year	131,657	152,655
Current service cost	206	532
Interest cost	8,914	9,833
Actuarial losses / (gains)	30,104	(22 784)
Benefits paid	(9,125)	(8,817)
Contributions by members	216	238
Liability at the end of the year	161,972	131 657
Assets at start of the year	113,733	153,512
Expected return on scheme assets	8,479	10,735
Actuarial gains / (losses)	26,470	(43,902)
Contributions by employer	2,112	1 967
Contribution by members	216	238
Benefits paid	(9,125)	(8,817)
Assets at end of the year	141,885	113,733
Actual return on scheme assets	34,949	(33 167)

The fair value of scheme asset investments was as follows -

	2010 £000	2009 £000
Equities	61,345	37,544
Bonds	55,921	48 995
Other	24,619	27,194
	141,885	113,733

Expense / (income) recognised in the consolidated income statement -

	2010 £000	2009 £000
Current service costs	206	532
Interest on obligation	8,914	9,833
Expected return on plan assets	(8,479)	(10,735)
	641	(370)

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

	2010 £000	2009 £000
Charged to operating profit	206	532
Other finance revenue and expense - retirement benefits	435	(902)
	641	(370)

The group recognises actuarial gains and losses immediately on the balance sheet through the statement of comprehensive income The cumulative actuarial net losses reported in the statement of comprehensive income since 1 April 2004 are £13 069 million

The current best estimate of employer cash contributions to be paid in the year ending 31 March 2011 is £1 850 million This comprises regular pension contributions of £0 250 million up to 30 September 2010 a payment of £0 900 million as part of the agreed recovery plan and £0 700 million in respect of pension administration costs

20 Retirement benefit obligations continued

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

	2010	2009	2008	2007
Discount rate at 31 March	**5 5%**	7 0%	6 6%	5 3%
Expected return on plan assets at 31 March	**7 7%**	7 1%	7 2%	6 4%
Future salary increases	**4 2%**	3 2%	4 5%	4 1%
Inflation	**3 7%**	2 7%	3 5%	3 1%
Future pension increases	**3 7%**	2 7%	3 5%	3 1%
Life expectancy for a male (current pensioner) aged 65	**17 0 years**	16 7 years	17 3 years	17 3 years
Life expectancy at 65 for a male aged 40	**18 7 years**	18 0 years	18 7 years	18 7 years

It is assumed that 100% of the post A-Day maximum for actives and deferreds will be commuted for cash (2009 - 100%)

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

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of funded obligations	**(161,972)**	(131 657)	(152,655)	(178,586)	(176,484)
Fair value of scheme asset investments	**141,885**	113,733	153,512	166,525	154,101
Recognised (liability) / asset for defined benefit obligations	**(20,087)**	(17 924)	857	(12 061)	(22 383)
Actual return on scheme assets	**34,949**	(33,167)	(7,271)	18,666	26,311
Actuarial (losses) / gains on scheme liabilities	**(30,104)**	22,784	28,032	(1,019)	(16,677)

21 Provisions

	2010			2009		
	Site closure £000	Deferred consideration £000	Total £000	Site closure £000	Deferred consideration £000	Total £000
Provisions at the start of the year - current	**475**	**-**	**475**	-	1 000	1 000
Provisions at the start of the year - non current	**595**	**350**	**945**	-	-	-
Deferred consideration reversed in the period	**-**	**(337)**	**(337)**	-	(650)	(650)
Provision established in the period	**49**	**-**	**49**	1 070	-	1,070
Provisions used in the period	**(617)**	**-**	**(617)**	-	-	-
	502	**13**	**515**	1,070	350	1,420
Analysed as to -						
Current	**502**	**13**	**515**	475	-	475
Non current	**-**	**-**	**-**	595	350	945
	502	**13**	**515**	1,070	350	1 420

A provision for site closure costs was established on 31 March 2009 of £1 070 million This arises in respect of the closure of the Slough facility and relates to ongoing lease and other property related costs which are now deemed to be onerous The lease on the property terminates in February 2011 In the year to 31 March 2010 the provision was reassesed and increased by £0 049 million During the year cash costs of £0 617 million were incurred in respect of the site closure provision

A provision for deferred consideration of £0 750 million was established on the acquisition of the minority holding in Conductive Inkjet Technology in September 2007 The deferred consideration was dependent upon the achievement of specific sales and profits in the period to 31 March 2010 Based upon the performance of the business the deferred consideration was reduced by £0 400 million in the year to 31 March 2009 and by £0 337 million in the year to 31 March 2010 leaving a balance of £0 013 million which is expected to be paid in 2010 The provision releases have been credited to retained earnings, in line with the original accounting for the acquisition of the minority interest

A provision for deferred consideration of £0 250 million was established on the acquistion of Ultra Auto Cosmetics in November 2007 The deferred consderation was based upon the performance of the business in the 18 month period to 31 May 2009 The business did not achieve the target levels necessary for an additional payment to be made Therfore the provision was relased in the year ended 31 March 2009 and credited to goodwill, in line with the original accounting for the acquisition of the business

22 Trade and other payables - falling due within one year

	2010 £000	2009 £000
Trade payables	**9,576**	9 711
Other taxes and social security costs	**501**	530
Other creditors	**1,955**	1,929
Accruals and deferred income	**2,588**	4,085
Dividends	**399**	371
	15,019	16 626

23 Ordinary share capital

	Number of shares	£000
Ordinary shares of 5 pence each -		
Authorised at 31 March 2009 and 31 March 2010	**80,000,000**	**4,000**
Issued and fully paid at 31 March 2009	57,188 702	2 859
Shares issued on placing of shares for cash	2,858,000	143
Shares issued on exercise of share options	1,375,000	69
Issued and fully paid at 31 March 2010	**61,421,702**	**3,071**

On 16 December 2009, Carclo issiued 2,858,000 for cash at a price of 128 5 pence per share The share placing raised £3 535 million after associated costs The shares are fully paid

During the course of the financial year 1 375 000 shares were issued in respect of share options at an average excercise price of 58 4 pence per ordinary share The shares are fully paid

Outstanding share options are as follows -

	Date granted	Number of shares	Price	Date exercisable
Executive share option schemes	14 September 2005	179,000	80p	to 13 September 2015
	15 September 2006	217,000	77p	to 14 September 2016
	5 December 2007	54,000	95p	5 December 2010 to 4 December 2017
	23 June 2008	95,000	86p	23 June 2011 to 22 June 2018
Discretionary share option scheme	6 July 2000	80,000	149p	to 5 July 2010
	13 September 2004	70,000	50p	to 12 September 2014
	15 September 2006	6,000	77p	to 14 September 2016

Outstanding awards under the performance share plan are as follows -

	Date granted	Number of shares	Price	Earliest date of vesting
Performance share plan	5 December 2007	439,000	nil	5 December 2010
	23 June 2008	411,000	nil	23 June 2011
	17 December 2009	561,000	nil	17 December 2012

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

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

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

The fair value per share of the awards under the performance share plan granted in the year is as follows -

Performance share plan	**2010**	2009
Share price at grant date	**131p**	86p
Exercise price	**0 0p**	0 0p
Expected volatility	**49 8%**	27 0%
Share price volatility of comparators	**13 5%**	9 5%
Expected dividend yield	**2 8%**	2 1%

The performance share plan has a split performance condition whereby half of the awards would vest after three years based on performance compared to TSR and the remaining half would vest based on EPS performance Half of the awards will vest on a sliding scale from 25% if EPS growth exceeds RPI by 5% per annum or more over the three year period beginning with the year of grant, rising to 100% if EPS growth exceeds RPI by 12% per annum The other half of the awards will vest on a sliding scale from 25% if TSR exceeds the median performance of the constituents of the FTSE Small Cap Index over the three year period ending on 31 March 2012 rising to 100% for upper quartile performance

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

The amounts recognised in the income statement arising from equity settled share based payments was a charge of £0 175 million (2009 - £0 105 million)

23 Ordinary share capital continued

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

	2010		2009	
	Weighted average exercise price pence	Number of shares No	Weighted average exercise price pence	Number of shares No
Outstanding at 1 April	49 4	3,069,000	56 7	2,583,000
Forfeited during the period	78 2	(34,000)	149 0	(20 000)
Exercised during the period	59 8	(1,484,000)	-	-
Granted during the period	-	561,000	16 1	506 000
Outstanding at the end of the period	28 5	2,112,000	49 4	3,069 000
Exercisable at 31 March		552,000		1,557,000
Weighted average remaining life at 31 March		36 months		57 months

24 Reserves

Other reserves

Other reserves comprise -

	2010 £000	2009 £000
Capital redemption reserve arising on the repurchase of the company's shares	1,330	1 330
Revaluation reserve arising on land and buildings	252	324
Revaluation reserve arising on intangible assets	2,002	2,002
	3,584	3,656

Translation reserve

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

Retained earnings

Netted against retained earnings is the cost of own shares held by the group The company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the group's share option schemes As at 31 March 2010 the plan held 74,077 shares (2009 - 183,077 shares) During the year to 31 March 2010, 109,000 shares were disposed in order to satisfy the exercise of share options by certain overseas based managers The shares were sold at an average exercise price of 77 9 pence per share generating a cash inflow of £0 085 million which has been credited to retained earnings

25 Financial instruments

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

Credit risk

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

The group maintains any surplus cash balances on deposit accounts or legal offset accounts with the group's principal banks which have high credit ratings assigned by independent international credit rating agencies In addition the group has undrawn overdraft facilities of £10 018 million at 31 March 2010 (2009 - £9 097 million) which are available to mitigate any liquidity risk

The maximum exposure to credit risk as at 31March was -

	2010 £000	2009 £000
Quoted investments	7	7
Trade receivables, net of attributable impairment provisions	13,614	12,300
Cash and cash deposits	10,205	6 405
	23,826	18,712

25 **Financial instruments** continued

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

	2010 £000	2009 £000
United Kingdom	**5,154**	3,960
Rest of Europe	**4,519**	5,439
North America	**2,978**	2 360
Rest of world	**963**	541
Trade receivables, net of attributable impairment provisions	**13,614**	12,300

Interest rate risk

The group's borrowings are on floating rate terms In the year to 31 March 2010 interest rates have remained at historic lows in response to the worldwide recession This has reduced the interest charge borne by the group

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

	Floating rate interest payable £000
As at 31 March 2010	
Sterling	**10,100**
US dollar	**7,658**
Euro	**7,043**
Other	**43**
	24,844
As at 31 March 2009	
Sterling	9,191
US dollar	7,045
Euro	8,043
	24,279

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

	Floating rate interest receivable £000	No interest receivable £000	Total £000
As at 31 March 2010			
Sterling	**5,094**	**36**	**5,130**
US dollar	**3,647**	**3**	**3,650**
Euro	**1,120**	**40**	**1,160**
Other	**242**	**23**	**265**
	10,103	**102**	**10,205**

	Floating rate interest receivable £000	No interest receivable £000	Total £000
As at 31 March 2009			
Sterling	2,054	35	2,089
US Dollar	2 967	3	2,970
Euro	1,162	-	1,162
Other	165	19	184
	6 348	57	6,405

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

25 Financial instruments continued

Liquidity risk

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

As detailed in note 18, the group has committed term loan facilities of £20 264 million (2009 - £20 558 million) In addition the group has overdraft

Foreign currency risk

The group has a number of overseas subsidiary operations The major overseas subsidiaries are located in the United States, France, the Czech Republic, China and India Hence the balance sheet of the group can be affected by the applicable conversion rates the sterling / US dollar exchange rate in particular It is the group's policy to hedge the effect of such structural currency exposures by having borrowings in the appropriate currencies where it is considered efficient to do so A loan of US $10 600 million is designated as the hedging instrument against foreign currency exposures in the trading assets operated by the trading subsidiaries in the United States A loan of €7 500 million is designated as the hedging instrument against foreign currency exposures in the operating assets of the European operations

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

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

	2010		2009	
	Less than 6 months £000	6 - 12 months £000	Less than 6 months £000	6 - 12 months £000
Assets	357	-	314	-
Liabilities	-	-	(213)	(71)
	357	-	101	(71)

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

	Sterling £000	US dollar £000	Euro £000	Other £000	Total £000
As at 31 March 2010					
Trade receivables, net of attributable impairment provisions	7,353	3,783	2,217	261	13,614
Trade payables	(4,687)	(2,283)	(2,333)	(273)	(9,576)
Net	2,666	1,500	(116)	(12)	4,038
As at 31 March 2009					
Trade receivables, net of attributable impairment provisions	5,545	3 803	2,820	132	12 300
Trade payables	(3,940)	(3,101)	(1,926)	(744)	(9,711)
Net	1,605	702	894	(612)	2 589

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

	Average rate		Reporting date mid-market rate	
	2010	2009	2010	2009
Sterling / US dollar	1 58	1 71	1 52	1 43
Sterling / Czech koruna	29 4	30 6	28 5	29 6
Sterling / Chinese renminbi	10 8	11 8	10 4	9 79
Sterling / Euro	1 13	1 17	1 12	1 08
Sterling / Indian rupee	75 7	-	68 1	72 7

Fair values

The fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between third parties Where available, market values are used to determine fair values, otherwise fair values are calculated by discounting expected cash flows at prevailing interest and exchange rates The fair value of the derivatives and financial instruments detailed above was not materially different to the book value at 31 March 2010 and 31 March 2009 Unrecognised and deferred gains and losses in respect of derivatives and financial instruments at 31 March 2010 were insignificant

25 Financial instruments continued

Sensitivity analysis

In managing interest rate and currency risks the group aims to reduce the impact of short term fluctuations on the group's earnings Over the longer term however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings In the year ended 31 March 2010, it is estimated that a general increase of one percentage point in interest rates would have decreased the group's profit before tax by approximately £0 264 million (2009 – £0 201 million) It is estimated that a general increase of 10% in the value of sterling against the above noted main currencies would have decreased the group's profit before tax by approximately £0 251 million for the year ended 31 March 2010 (2009 – £0 297 million) which is detailed by currency in the following table –

	2010 £000	2009 £000
US dollar	82	96
Euro	41	67
Czech koruna	82	103
Other	46	31
	251	297

26 Cash generated from operations

	2010 £000	2009 £000
Profit before financing costs	5,451	3,507
Adjustments for -		
Pension fund contributions in excess of service costs	(1,906)	(1,435)
Depreciation charge	3,173	3 278
Amortisation of intangible assets	183	156
Exceptional bad debt provision	-	270
Share of losses in associated undertaking	37	11
Provisions charged in respect of site closure	49	1,070
Cash flow relating to provision for site closure	(617)	-
Profit on disposal of other plant and equipment	(78)	(54)
Write down of assets charged to rationalisation costs	32	369
Share based payment charge	175	105
Operating profit before changes in working capital	6,499	7,277
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries)		
Decrease / (increase) in inventories	1,020	(329)
(Increase) / decrease in trade and other receivables	(2,606)	920
Decrease in trade and other payables	(1,506)	(368)
Cash generated from operations	3,407	7,500

27 Financial commitments

	2010 £000	2009 £000
(a) The directors have authorised the following future capital expenditure which is contracted -	900	214

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

	2010 £000	2009 £000
within one year	554	1,063
within two to five years	1,393	1 228
	1,947	2 291

28 Related parties

Identity of related parties
The group has a related party relationship with its subsidiaries (see note 30), its associate, its directors and executive officers and the group pension scheme

Transactions with key management personnel
Details of directors' remuneration can be found in the remuneration report on pages 28 to 33

Ian Williamson is a non executive director of Suprajit Engineering Limited ("Suprajit"), a manufacturer of automotive components based in Bangalore India Suprajit have provided assistance in the establishment of Carclo's Technical Plastics facility in India including the lease of a manufacturing and storage facility in Bangalore Payments totalling £0 051 million have been made to Suprajit for these services in the year to 31 March 2010 (2009 - nil)

Group pension scheme
Carclo manages a pensions department which administers the group pension scheme (The Carclo Group Pension Scheme) The associated investment costs are recharged to the scheme in full The costs in the year ended 31 March 2010 amounted to £0 729 million (2009 - £0 367 million) From 1 April 2007, it has been agreed with the Trustees of the scheme that, under the terms of the recovery plan Carclo would bear the scheme's administration costs whilst the scheme was in deficit, as calculated at the triennial valuation Carclo incurred administration costs of £0 748 million which has been charged against the IAS 19 pension scheme deficit (2009 - £0 586 million)

29 Accounting estimates and judgements

The key accounting policies and estimates used in preparing the group's report and accounts for the year ended 31 March 2010 have been reviewed and approved by the audit committee However, it should be noted that if the outcomes in the next financial year are different to the assumptions currently made based on existing knowledge then this could give rise to a material adjustment to the carrying value of the related assets The areas of significant accounting uncertainty are -

Impairment of goodwill
Note 11 contains information about the assumptions and their risk factors relating to goodwill impairment

Recoverability of other intangible assets
The development costs and associated intellectual property rights carried on the group balance sheet predominantly stem from the research work undertaken by Conductive Inkjet Technology Limited ("CIT") The recoverability of these assets is assessed periodically having regard to a prudent assessment of potential future revenue streams so far identified for CIT's patented processes Projected future cash flows for the next seven years (being half the expected life of the attributable patents) have been discounted back at a rate of 13 25% The net present value of these cash flows indicates that there is no impairment of the other intangible assets at 31 March 2010 Revenues from CIT are set to grow in the new financial year but the impact on group profits will be limited due to a commensurate increase in the amortisation charge in line with the group's amortisation policy

The customer related intangible asset arose on the acquisitions of Ultra Auto Cosmetics and Jacottet Industries and represents management's estimate of the fair value of the benefits accruing in respect of their customer distribution networks and unique design drawings to the group These assets are being amortised over a period of seven years

Fixed asset useful economic lives
The useful economic lives of fixed assets are reviewed annually having regard to any profits or losses arising from the disposal of assets future capital expenditure programmes and the level of expected manufacturing activity No adjustment has been made in the year to the estimated economic lives of the group's tangible fixed assets

Pension assumptions
The key assumptions applied to pensions are disclosed in note 20 The pension scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, discount rates, mortality rates and commutation Due to the relative size of the scheme's liabilities small changes to these assumptions can give rise to a significant impact on the pension scheme deficit reported in the group balance sheet For example an increase in the discount rate by 0 1% (i e 5 5% to 5 6%) would decrease the scheme liabilities and hence the net deficit, by £1 950 million

30 Group entities

Control of the group

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

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

Significant subsidiaries

	Country of incorporation	2010 %	2009 %	
Technical Plastics division				
Carclo Technical Plastics Limited	England	**100**	100	The companies within the Technical Plastics division design and manufacture high quality, close tolerance plastic components for the medical optical and teletronics industries
***Carclo Technical Plastics Inc**	USA	**100**	100	
***Carclo Technical Plastics Shanghai Co Limited**	China	**100**	100	
***Carclo Technical Plastics (Brno) s r o**	Czech Republi	**100**	100	
Carclo Technical Plastics Private Co Limited	India	**100**	100	
Precision Products division				
Wipac Limited	England	**100**	100	The companies within the Precision Products division design and manufacture a range of lighting and control systems for the automotive and aerospace industries
Birkett Cutmaster Limited	England	**100**	100	
Bruntons Aero Products Limited	England	**100**	100	
***Jacottet Industrie SAS**	France	**100**	100	
Other				
Conductive Inkjet Technology Limited	England	**100**	100	Applied research into the digital printing of conductive metals onto plastic substrates

* Wholly owned by subsidiary undertakings

Company balance sheet

31 March

	Notes	£000	2010 £000	£000	2009 £000
Fixed assets					
Tangible assets	33	88		105	
Investments	34	664		684	
Investment in subsidiary undertakings	35	110,029		110,029	
			110,781		110,798
Current assets					
Debtors - amounts falling due within one year	36	6,669		3,826	
Debtors - amounts falling due after more than one year	36	57,575		51,039	
Cash at bank and in hand		2,444		1,022	
		66,688		55 887	
Creditors - amounts falling due within one year					
Trade and other creditors	37	1,512		4 991	
Dividends	10	399		371	
		1,911		5,362	
Net current assets			64,777		50,525
Total assets less current liabilities			175,558		161,323
Creditors - amounts falling due after more than one year	38		(122,207)		(118,591)
Net assets excluding retirement benefits			53,351		42,732
Retirement benefits	40		(14,463)		(12,905)
Total net assets			38,888		29,827
Capital and reserves					
Called up share capital	23		3,071		2,859
Share premium	41		8,042		3,916
Merger reserve	41		8,785		8,785
Other reserves	41		1,330		1,330
Profit and loss account	41		17,660		12,937
Equity shareholders' funds			38,888		29,827

These accounts were approved by the board of directors on 8 June 2010 and were signed on its behalf by -

Christopher Ross } directors

Robert Brooksbank

8 June 2010

31 Accounting policies for the company

a) Accounting convention

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

b) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under section 408(3) of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account
Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the consolidated cash flow for all group companies is included within the consolidated financial statements

As these parent company financial statements are presented together with the consolidated financial statements the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Carclo plc, within which this company is included, are set out on pages 36 to 62

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) Investments

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

e) Tangible fixed assets and depreciation

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 of between three and twelve years

f) 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

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

g) Pension benefits

The company operates a defined benefit pension scheme and also makes payments into defined contribution schemes for employees

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

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

h) Foreign currency

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

i) Financial instruments

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

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

j) Share based payments

The company issues equity settled share based payments to certain employees in exchange for services rendered by them The fair value of the share based award is calculated at the date of the grant and is expensed on a straight line basis over the vesting period with a corresponding increase in equity This is based on the company's estimate of share options that will eventually vest. This takes into account movement of non market conditions, being service conditions and financial performance, if relevant The fair value of the equity settled awards granted is not subsequently revisited

32 Personnel expenses

	2010 £000	2009 £000
Wages and salaries	1,048	1 178
Social security contributions	191	127
Charge in respect of defined benefit pension schemes	86	94
Charge in respect of defined contribution and other pension plans	76	76
Share based payments (see note 23)	175	105
	1,576	1,580

The average number of employees in the year was 18 (2009 - 18)

33 Tangible assets

	Plant and equipment £000
Cost or valuation	
As at 1 April 2009	689
Additions	55
Disposals	(29)
As at 31 March 2010	715
Depreciation	
As at 1 April 2009	584
Charge for the year	61
Disposals	(18)
As at 31 March 2010	627
Book value 31 March 2010	88
Book value 31 March 2009	105

34 Investments

	£000
Investment in Platform Diagnostics Limited	664
At 1 April 2009 and 31 March 2010	664

Carclo holds 29 8% of the voting equity of Platform Diagnostics Limited (2009 - 29 8%)

35 Investment in subsidiary undertakings

	At cost £000	Provision £000	Book value £000
Investment in subsidiary undertakings	151,267	(41,238)	110 029
At 1 April 2009 and 31 March 2010	151,267	(41,238)	110,029

A list of the main subsidiary undertakings is given in note 30

36 Debtors

	2010 £000	2009 £000
Debtors - amounts falling due within one year -		
Amounts owed by subsidiary undertakings	4,600	1,997
Other debtors	380	932
Prepayments	135	106
Taxation recoverable	1,113	692
Deferred taxation (see note 39)	441	99
	6,669	3,826
Debtors - amounts falling due after more than one year -		
Amounts owed by subsidiary undertakings	57,575	51,039

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

	2010 £000	2009 £000
Bank overdraft	893	1 985
Trade creditors	57	40
Other taxes and social security costs	41	43
Other creditors	182	218
Accruals	339	811
Owed to subsidiary undertakings	-	1 894
	1,512	4 991

38 Creditors - amounts falling due after more than one year

	2010 £000	2009 £000
Medium term loans	18,678	19,342
Owed to subsidiary undertakings	103,529	98,899
Other payables	-	350
	122,207	118,591

39 Provisions for liabilities and charges

	Deferred taxation £000
As at 1 April 2009	(99)
Credited to the profit and loss account	(342)
As at 31 March 2010	(441)

Deferred taxation is as follows -

	2010 £000	2009 £000
Decelerated capital allowances	(190)	(39)
Share based payments	-	(18)
Other short term timing differences	(251)	(42)
	(441)	(99)

The deferred tax balance is included in the following balance sheet heading -

Debtors	441	99

40 Retirement benefits

The group operates a defined benefit final salary pension scheme Actuarial valuations are carried out every three years using appropriate methods as determined by the actuary The scheme was subject to valuation at 31 March 2009

The valuations used for the FRS 17 disclosures are based on the most recent actuarial valuations as detailed above and as updated by the scheme's actuary to assess the liabilities of the scheme as at 31 March 2010

The method and financial assumptions used to assess the scheme's liabilities under FRS 17 are -

	2010	2009	2008	2007	2006
Valuation method	Projected unit	Projected unit	Projected unit	Projected unit	Projected unit
Rate of increase in salaries	4 2%	3 2%	4 5%	4 1%	3 1%
Rate of increase in pensions in payment	3 7% to 4 0%	2 7% to 4 0%	3 5% to 4 0%	2 5% to 4 0%	2 5% to 4 0%
Discount rate	5 5%	7 0%	6 6%	5 3%	5 1%
Inflation rate	3 7%	2 7%	3 5%	3 1%	2 6%
Expected return on equity and property investments	8 9%	8 5%	7 5%	7 5%	7 6%
Expected return on bonds and other investments	7 0%	6 6%	5 3%	4 1%	4 8%

The fair value of assets and liabilities at each balance sheet date were -

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Equities and properties	85,964	63,665	89 268	112 588	98,676
Bonds and other	55,921	50,068	64,244	54,251	55,746
Total market value of assets	141,885	113 733	153,512	166,839	154,422
Actuarial value of liability	(161,972)	(131,657)	(152 655)	(178,052)	(175,957)
(Deficit) / surplus in the schemes	(20,087)	(17,924)	857	(11,213)	(21,535)
Related deferred tax asset / (liability)	5,624	5 019	(240)	3,363	6,461
Net pension (liability) / asset	(14,463)	(12,905)	617	(7,850)	(15,074)

40 Retirement benefits continued

	2010 £000	2009 £000
Amounts charged to operating profit were -		
Current service cost	206	532
Amounts (charged) / credited to other finance income / (costs) were -		
Expected return on pension scheme assets	8,479	10 735
Interest on pension liabilities	(8,914)	(9,833)
	(435)	902
Analysis of amounts recognised in the statement of total gains and losses -		
Actual return less expected return on scheme assets	26,470	(43 902)
Changes in assumptions underlying the present value of scheme liabilities	(30,104)	22,784
	(3,634)	(21,118)
The amounts recognised in the balance sheet in respect of the defined benefit schemes are as follows -		
Present value of funded obligations	(161,972)	(131 657)
Fair value of scheme assets	141,885	113 733
Recognised liability for defined benefit obligations	(20,087)	(17,924)
Movements in the present value of defined benefit obligations and scheme assets -		
Liability at the start of the year	131,657	152,655
Current service cost	206	532
Interest cost	8,914	9,833
Actuarial losses / (gains)	30,104	(22,784)
Benefits paid	(9,125)	(8,817)
Contributions by members	216	238
Liability at the end of the year	161,972	131,657

	2010 £000	2009 £000
Assets at start of the year	113,733	153,512
Expected return on scheme assets	8,479	10,735
Actuarial gains / (losses)	26,470	(43,902)
Contributions by employer	2,112	1,967
Contributions by members	216	238
Benefits paid	(9,125)	(8 817)
Assets at end of the year	141,885	113,733

The history of experience gains and losses is shown in the following table -

	2010	2009	2008	2007	2006
Difference between expected and actual return on scheme assets	£26 470 million	43 902) million	18 007) million	£8 645 million	17 301 million
Percentage of schemes assets	18 7%	(38 6)%	(11 7)%	5 2%	11 2%
Experience gains and losses on scheme liabilities	nil	nil	nil	£1 866 million	nil
Percentage of schemes liabilities	nil%	nil%	nil%	1 0%	nil%
Total amount recognised in statement of total recognised gains and losses	(£3 634) million	21 118) million	£9 491 million	£7 602 million	£0 860) million
Percentage of schemes liabilities	(2 2)%	(16 0)%	6 2%	4 3%	(0 5)%

41 Reserves

	Share premium £000	Merger reserve £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 April 2009	3,916	8,785	1,330	12,937	26,968
Profit for the year	-	-	-	6,742	6,742
Share based payments	-	-	-	175	175
Actuarial movement on retirement benefit obligations	-	-	-	(3,634)	(3,634)
Deferred tax on actuarial movement on retirement benefit obligations	-	-	-	1,018	1,018
Exercise of share options	734	-	-	-	734
Issue of shares	3,392	-	-	-	3,392
Sale of own shares	-	-	-	85	85
Adjustment to deferred consideration	-	-	-	337	337
Balance at 31 March 2010	8,042	8,785	1,330	17,660	35,817

The company maintains an employee share ownership plan for the benefit of employees and which can be used in conjunction with any of the group's share option schemes As at 31 March 2010 the plan held 74 077 shares (2009 - 183,077 shares) The original cost of these shares was £0 089 million (2009 - £0 221 million) The cost of the shares has been charged against retained earnings

42 Operating leases

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

	Land and buildings		Other	
	2010 £000	2009 £000	2010 £000	2009 £000
Leases expiring -				
Within one year	-	27	-	5
Within one to five years	-	-	14	19
	-	27	14	24

43 Contingent liabilities

The company has entered into cross guarantee arrangements relating to the bank borrowings of its UK subsidiary operations and a letter of credit in support of the term loan borrowings of the subsidiary operations in the United States and India The maximum obligations under these arrangements at 31 March 2010 was £5 339 million (2009 - £3 349 million)

There are contingent liabilities arising in the ordinary course of business in respect of litigation which the directors believe will not have a significant effect on the financial position of the group

44 Profit and loss account

The profit after tax for the year dealt with in the accounts of the company amounts to £7 917 million (2009 - a loss of £0 005 million) which, after dividends of £1 175 million (2009 - £1 105 million), gives a retained profit for the year of £6 742 million (2009 - a deficit of £1 110 million)

Five year summary

		2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Revenue		**81,152**	87,436	81,274	79,055	88 006
Underlying operating profit		**5,669**	6,212	5,713	4,819	5 020
Non recurring items		**(218)**	(2,705)	(1 337)	2,568	(2,445)
Profit before financing costs		**5,451**	3,507	4,376	7,387	2,575
Net financing (charge) / credit		**(828)**	144	126	(198)	(876)
Profit before tax		**4,623**	3,651	4,502	7,189	1,699
Overseas sales as a percentage of total sales		**63 7%**	63 2%	58 7%	57 0%	56 6%
Underlying operating margin		**7 0%**	7 1%	7 0%	6 1%	5 7%
Net margin		**5 7%**	4 2%	5 5%	9 1%	1 9%
Tax rate		**20 5%**	12 5%	0 0%	9 9%	0 0%
Earnings per share	Basic	**5 9p**	5 1p	7 7p	12 1p	1 2p
	Underlying	**6 6p**	9 8p	10 5p	7 6p	7 8p
Dividend per share		**2 0p**	2 0p	1 9p	1 6p	1 2p
Underlying dividend cover		**3 3x**	4 9x	5 5x	4 8x	6 5x
Underlying bank interest cover		**14 4x**	8 2x	5 6x	3 6x	3 6x
Non current assets		**70,775**	69 245	57,758	55,244	64 559
Net current assets excluding cash, bank and finance leases		**13,460**	11,748	11,228	11,705	9,625
Net debt		**(14,639)**	(17,874)	(13,746)	(12 805)	(20,756)
Other non current liabilities		**(24,989)**	(23 388)	(4,785)	(15,703)	(26,234)
Total shareholders' funds		**44,607**	39,731	50,455	38,441	27,194
Post tax return on shareholders' funds		**8 2%**	8 0%	8 9%	16 8%	6 2%
Gearing (excluding net pensions balance)		**24 8%**	34 0%	27 6%	27 3%	48 4%
Assets per share		**73p**	69p	88p	68p	49p
Capital expenditure as a multiple of depreciation		**0 9x**	1 1x	1 1x	0 8x	0 6x
Number of shareholders at 31 March		**1,675**	1,700	1,794	1,874	1 978
Average number of employees in year		**996**	1 133	1,138	1,106	1,373
Added value per employee		**£29,384**	£27,626	£27,431	£29,495	£24,053

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
2001	51p	126p	2006	62p	100p
2002	26p	57p	2007	88p	132½p
2003	17p	46p	2008	47½p	96p
2004	37p	54p	2009	48½p	150½p
2005	48½p	89p	2010 to date	133½p	175p

(b) Share price information

FT Cityline telephone number for share price information

For share price information on Carclo call FT Cityline on 0905 8171 690

(c) Further information on Carclo plc

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

Financial calendar 2010/11

Annual general meeting 2010	2 September 2010
Final dividend for 2010 payable to members on the register on 6 August 2010	9 September 2010
Ex - dividend date	4 August 2010
Interim report for the half year ending 30 September 2010	23 November 2010
Preliminary announcement of the results for the year ending 31 March 2011	7 June 2011

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 seventh annual general meeting of the company will be held at the Holiday Inn, Junction 40, M1, Ossett, West Yorkshire on Thursday, 2 September 2010 at 3 00 pm 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 ordinary resolutions and numbers 6 to 8 will be proposed as special resolutions

Ordinary business

1 To receive the directors' and auditor's reports and the accounts for the year ended 31 March 2010
2 To approve the directors' remuneration report for the year ended 31 March 2010
3 To declare a final dividend
4 A To re-elect C G Ross as a director of the company
B To re-elect R J Brooksbank as a director of the company
C To re-elect I Williamson as a director of the company
5 A To re-appoint KPMG Audit Plc 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 ordinary resolution -

6 That the directors are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company and to grant rights to subscribe for or to convert any security into such shares ("Allotment Rights"), but so that -

(a) the maximum amount of shares that may be allotted or made the subject of Allotment Rights under this authority are shares with an aggregate nominal value of £1,023,861,
(b) this authority shall expire on 1 December 2011 or, if earlier, on the conclusion of the company's next annual general meeting,
(c) the company may make any offer or agreement before such expiry which would or might require shares to be allotted or Allotment Rights to be granted after such expiry, and
(d) all authorities vested in the directors on the date of the notice of this meeting to allot shares or to grant Allotment Rights, or to allot relevant securities (as defined in the Companies Act 1985), that remain unexercised at the commencement of this meeting are revoked

To consider and if thought fit pass the following special resolutions –

7 That the directors are empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities, as defined in section 560 of that Act, pursuant to the authority conferred on them by resolution 6 in the notice of this meeting or by way of a sale of treasury shares as if section 561 of that Act did not apply to any such allotment, provided that this power is limited to -

(a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Services Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange, and
(b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £153,579,

and shall expire when the authority conferred on the directors by resolution 6 in the notice of this meeting expires save that, before the expiry of this power, the company may make any offer or agreement which would or might require equity securities to be allotted after such expiry

8 That the company is generally and unconditionally authorised pursuant to section 701 of the Companies Act 2006 to make market purchases (as defined in section 693 of that Act) of ordinary shares of 5p each in its capital, provided that -

(a) the maximum aggregate number of such shares that may be acquired under this authority is 6,143,170,
(b) the minimum price (exclusive of expenses) which may be paid for such a share is its nominal value,
(c) the maximum price (exclusive of expenses) which may be paid for such a share is the maximum price permitted under the Financial Services Authority's listing rules or, in the case of a tender offer (as referred to in those rules), five per cent above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange's Daily Official List) for the five business days immediately preceding the date on which the terms of the tender offer are announced,
(d) this authority shall expire on 1 December 2011 or, if earlier, on the conclusion of the company's next annual general meeting, and
(e) before such expiry the company may enter into a contract to purchase shares that would or might require a purchase to be completed after such expiry

9 That any general meeting of the company that is not an annual general meeting may be called by not less than 14 clear days' notice

By order of the board

Eric Cook
Secretary

27 Dewsbury Road, Ossett

25 June 2010

NOTES

1 A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting

2 The right of a member of the company to vote at the meeting will be determined by reference to the register of members A member must be registered on that register as the holder of ordinary shares by 6 00 p m on 31 August 2010 in order to be entitled to attend and vote at the meeting as a member in respect of those shares

3 A member wishing to attend and vote at the meeting in person should arrive prior to the time fixed for its commencement A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with section 323 of the Companies Act 2006 Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment Any member wishing to vote at the meeting without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so Forms for the appointment of a proxy that can be used for this purpose have been provided to members with this notice of meeting To be valid, a proxy appointment form must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Equiniti, the company's registrars, so as to be received by 3 00 p m on 31 August 2010 Members who hold their shares in uncertificated form may use "the CREST voting service" to appoint a proxy electronically, as explained below Appointing a proxy will not prevent a member from attending and voting in person at the meeting should he so wish

4 Any person to whom this notice is sent who is currently nominated by a member of the company to enjoy information rights under section 146 of the Companies Act 2006 (a "nominated person") may have a right under an agreement between him and that member to be appointed, or to have someone else appointed, as a proxy for the meeting If a nominated person has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person Such rights can only be exercised by the member concerned

5 As at 18 June 2010 (the latest practicable date prior to the printing of this document) (i) the company's issued share capital consisted of 61,441,702 ordinary shares, carrying one vote each, and (ii) the total voting rights in the company were 61,441,702

6 Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the company must cause to be answered Information relating to the meeting which the company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www carclo-plc com A member may not use any electronic address provided by the company in this document or with any proxy appointment form or in any website for communicating with the company for any purpose in relation to the meeting other than as expressly stated in it

7 It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the company's latest audited accounts since the previous annual general meeting The company cannot require the members concerned to pay its expenses in complying with those sections The company must forward any such statement to its auditors by the time it makes the statement available on the website The business which may be dealt with at the meeting includes any such statement

8 CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a "CREST proxy appointment instruction") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ("Euroclear"), and must contain all the relevant information required by the CREST Manual which can be viewed at www euroclear com/CREST To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Equiniti, (ID RA19), as the company's "issuer's agent", by 3 00 p m on 31 August 2010 After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner Euroclear does not make available special procedures in the CREST system for transmitting any particular message Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system" In certain circumstances the company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid

9 Members meeting the threshold requirements in sections 338 and 338A of the Companies Act 2006 have the right to require the company (i) to give to members entitled to receive notice of the meeting notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or (as applicable) the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the company not later than 21 July 2010, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request

A form of proxy is enclosed