acal plc
25th anniversary
1986-2011

annual report and accounts
for the year ended 31 March 2011

europe's leading supplier of specialist technologies

acal plc annual report and accounts for the year ended 31 March 2011

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Acal is a European specialist provider of technology products and services. With operations in eleven countries across Western Europe, and in South Africa, the business operates in clearly defined market niches where customers appreciate the added value that comes from high levels of technical support and customised solutions.

contents

financial highlights

“The year has seen a significant improvement in sales and operating profitability. Market conditions improved, driven by a recovery in high technology manufacturing, and the strategy of specialisation, combined with our European market leading position in specialist electronics, continues to make good progress on all fronts.”

Nick Jefferies Group Chief Executive

operating performance

	FY 2011	FY 2010
Revenue	**£265m**	£182m
Underlying operating profit/(loss)*	**£7.4m**	£(0.7)m
Underlying profit/(loss) before tax*	**£7.1m**	£(0.9)m
Profit/(loss) before tax	**£1.9m**	£(6.3)m
Underlying diluted EPS*	**18.6p**	(6.3)p
Fully diluted EPS	**5.7p**	(24.5)p
Dividend per share	**7.47p**	7.0p

* These are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. They exclude exceptional costs, earn-out remuneration, amortisation of acquired intangibles and IAS19 pension charge relating to a legacy defined benefits scheme. They are not defined by or presented in accordance with IFRS and should not be considered as an alternative to operating profit/(loss), profit/(loss) before tax, fully diluted EPS or any other measures of performance under IFRS. These non-IFRS measures are not intended to be a projection or forecast of future results.

highlights

- Revenues increase 46%
  – Group like for like sales** up 21% (Electronics 27%)
- Strong return to overall profitability
  – H2 underlying profitability up 64% from H1 to £4.6m
- Gross margins up 0.8ppts to 28.4%
- Working capital efficiency increases to 12% of sales (2009/10: 12.7%)
- Cashflow pre exceptionals and acquisitions of £2.6m
- Successful integration of BFi Optilas – annualised synergies of £4.4m delivered
- Acquisition of Compotron for £7.1m, enhancing German specialist electronics business
- Final dividend increased by 10% to 5.14p (2010: 4.67p)

post period-end highlights

- £1.2m acquisition of Hectronic AB strengthening the Nordic specialist electronics business

** Like for like sales are at constant exchange rates, including acquisitions for the whole of the comparative period and excluding the ATM Parts business (effective disposal date 30 September 2010), a material non-core Supply Chain contract terminated at the end of the previous financial year-end and Compotron, which was acquired in January 2011.

chairman's statement

I am pleased to report a year of significant progress with a strong return to overall profitability following the Group's shift in strategic focus to a specialist model. The return to profitability has been achieved through a combination of strong sales growth, increasing gross margins, better operational efficiency and delivery of the planned integration synergies arising from the acquisition of BFi Optilas ("BFi") in December 2009.

Strategy and acquisitions

The Group strategy of Electronics specialisation has made significant progress over the last two years. The Board believes that this strategy will continue to provide further opportunities for growth and increased shareholder value, adding market share through a combination of organic growth and selective value enhancing acquisitions.

The first acquisition since BFi was acquired in December 2009 was completed in January 2011, with the acquisition of CompoTRON GmbH ("Compotron"). Compotron has enhanced the Group's position in the German specialist electronics market and its performance since acquisition has been very encouraging.

On 1 June 2011 the Board was pleased to announce the acquisition of Hectronic AB, a Swedish specialist electronics business, for a consideration of £1.2m. Hectronic is a specialist provider of embedded computing technology to industrial electronic markets and generates revenues across the Nordic region. We are delighted to welcome them into the Group.

Results

Group revenue for the year increased by 46% to £264.8m (2009/10: £181.6m) driven by strong like for like sales growth, up 21% over last year.

Underlying profit before tax was £7.1m, compared to a loss of £0.9m in the prior year. The second half of the year saw underlying profit before tax increase 73% sequentially to £4.5m (H1 2010/11: £2.6m).

Exceptional costs for the year totalled £4.4m (2009/10: £4.7m) comprising £3.6m in respect of the BFi integration, and other net costs of £0.8m principally related to the completion of the Supply Chain division integration and the acquisition of Compotron.

Including exceptional items, earn-out costs, amortisation of acquired intangibles and IAS 19 pension finance charge, IFRS reported profit before tax was £1.9m (2009/10: loss of £6.3m).

Underlying diluted earnings per share were 18.6 pence (2009/10: loss per share of 6.3 pence). Including underlying adjustments, fully diluted earnings per share were 5.7 pence (2009/10: loss per share of 24.5 pence).

The balance sheet remains robust with net assets at the year end of £51.3m (2009/10: £51.9m) including net cash of £6.7m (2009/10: £13.9m). Year end cash balances reduced primarily due to the acquisition of Compotron and the cost of restructuring and integrating BFi. The Group has in place committed long term working capital facilities to manage the inter-month working capital movements which resulted in net average borrowings during the final quarter of £0.5m. At the year end, these facilities amounted to approximately £20m.

The Group strategy of Electronics specialisation has made significant progress over the last two years

Integration of BFi

The integration of BFi was completed during the year, delivering the planned annualised synergies of £4.4m (€5.3m). Operations in the Electronics division are now on one common infrastructure with a single management information system, common logistics and purchasing, while central warehouses have been reduced from three to two. Offices have been rationalised where appropriate, with five closures, and management teams have been combined. There is now one principal legal entity in each country, securing long term access to approximately £18m of tax losses. Exceptional costs for the integration totalled £6.0m (£3.6m this year and £2.4m in 2009/10), in line with the amount originally anticipated.

Dividend

The Board continues to keep dividend policy under review and is cognisant of the importance of dividends to shareholders. In setting future dividends, the Board will take account of available financial resources, current trading conditions, the prospects for the Group and the level of dividend yield and cover.

At the half year, the Directors declared an interim dividend of 2.33 pence per share (H1 2009/10: 2.33 pence per share). The Board is now recommending an increased final dividend of 5.14 pence per share being a 10% increase compared to the prior year final dividend of 4.67 pence per share, and providing a dividend for the year of 7.47 pence per share, a 6.7% increase overall. The dividend is payable on 29 July 2011 to shareholders on the register as at 17 June 2011.

Board and employees

As reported at the time, Simon Gibbins joined the Board in July 2010 as Group Finance Director. Prior to joining Acal, Simon was Global Head of Finance and Deputy CFO of Shire plc. Simon's experience in a specialist business that achieved rapid organic and acquisitive growth, positions the Group well to address the opportunities and risks it faces as the Group continues to develop.

This year has seen employees face an enormous integration and restructuring workload as well as the positive pressures of strong sales growth. They have managed both admirably, being a credit to both themselves and the Company. On behalf of the Board, I would like to thank them for their significant effort and contribution.

The year ahead

Our strategy remains unchanged as we continue to build Europe's leading specialist electronics distributor. Against a backdrop of improving global economic conditions and a recovering industrial manufacturing marketplace, the Board remains confident of further opportunities for both organic and acquisitive growth.

Richard Moon
Chairman
1 June 2011

directors and secretary

Richard Moon
Non-Executive Chairman
Aged 60, Richard joined the Board in September 2004 and became Chairman in April 2005. Formerly a Director of Racal Electronics plc and Chief Executive of Thales plc, he now holds Non-Executive Chairman positions with Planit Holdings Limited and OBS Medical Limited and is a Director of Synergie Business Limited.

Nick Jefferies
Group Chief Executive
Aged 45, Nick joined Acal as Group Chief Executive in January 2009. Formerly General Manager for Electronics globally at Electrocomponents plc, and having previously held senior positions at Arrow Electronics, he started his career as an Electronics Design Engineer for Racal Defence (now part of Thales plc).

Simon Gibbins ACA
Group Finance Director
Aged 44, Simon was appointed as Group Finance Director in July 2010. A Chartered Accountant, he was previously Global Head of Finance and Deputy CFO at Shire plc. Prior to joining Shire in 2000, he spent 6 years with ICI plc in various senior finance roles, both in the UK and overseas. His earlier career was spent with Coopers & Lybrand in London.

Eric Barton MA
Senior Non-Executive Director
Aged 66, Eric was appointed as a Non-Executive Director in September 2002. Previously, he was a Director of 3i plc for 13 years. An experienced Non-Executive Director of both public and private companies, Eric has acted as Chairman of the Audit Committee of three publicly listed companies, namely Morse plc, Informa plc and Telecity plc.

Graham Williams MBA CA
Non-Executive Director
Aged 68, Graham was appointed to the Board in December 2003. His early business experience was gained in private equity with Charterhouse and Barclays Private Equity, both in the UK and France. A board member of Hays plc for 19 years, and now on their pension fund's investment committee, he is also a schools' governor.

Ian Fraser MBA MA
Non-Executive Director
Aged 56, Ian became a Non-Executive Director in January 2010. He is the Group Chief Executive of Brammer plc. Prior to joining Brammer in 1998, he was Group Managing Director of Reliance Security Group plc. His earlier career was mainly spent with Raychem Corporation.

Gary Shillinglaw FCIS
Group Company Secretary
Aged 61, Gary joined Acal as Group Company Secretary in August 2008. A qualified Chartered Secretary, he has previously held that position in a number of listed and non-listed public companies, including Countryside Properties plc, B&Q plc and First Leisure Corporation plc.

committees

Audit Committee
E A Barton (Chairman)
G J Williams
I R Fraser

Remuneration Committee
G J Williams (Chairman)
E A Barton
R J Moon
I R Fraser

Nomination Committee
R J Moon (Chairman)
E A Barton
G J Williams
N J Jefferies

strategic and operational review

Strategy

Acal is the leading specialist Electronics distributor in Europe, and the only such company with operations in all of the main countries across Europe. The business operates in clearly defined market niches, where customers appreciate the added value that comes from high levels of technical support and customised solutions.

Two years into the strategy of specialisation, the Group continues to concentrate on the following key areas to drive future performance:

- Grow presence in key European markets
- Expand the specialist product offering
- Increase operational efficiency

Grow presence in key European markets

The Group plans to continue to build its position in the key European markets through both organic growth and the acquisition of complementary value enhancing businesses.

Over the last financial year, strong organic growth in all markets, led by Germany, combined with the acquisition of Compotron in January 2011, resulted in 70% of the Group's Electronics sales coming from European countries other than the UK.

Expand the specialist product offering

The Group plans to continue to grow its range of specialist technologies and products on offer both through the appointment of new suppliers, the creation of additional technology units and the addition of complementary products to existing technology units.

This financial year saw the addition of eleven new Electronics suppliers, expanding our customer offering in five technology units. The acquisition of Compotron brings with it new communication technologies and suppliers, the sales of which are being expanded into other territories. Likewise, the acquisition of Hectronic, announced on 1 June 2011, brings with it new embedded computing technologies, the sales of which are also planned to be expanded into other territories.

Increase operational efficiency

The Group expects to continue to improve its operational efficiency through increasing sales of highly differentiated, higher margin products, combined with tight control of operating expenses and working capital.

The operational savings of £3.0m in the year (£4.4m annualised) gained from the merger of Acal Technology and BFi have enabled a further improvement in operational efficiency during the year. Additionally, working capital efficiency improved in the second half to 12% of sales (H1: 12.7%).

Performance

The year has seen a significant improvement in sales and operating profitability. Market conditions improved, driven by a recovery in high technology manufacturing, and the strategy of specialisation, combined with our European market leading position in specialist electronics, continues to make good progress on all fronts.

Reported Group revenues grew by 46%, (21% on a like for like basis), being driven by the Electronics division with reported sales growth of 80%, (like for like growth of 27%). The Electronics customer order book, representing in total around three months worth of sales, was 20% higher at the end of the year (like for like) than the prior year and 46% higher than two years earlier. Sales in both the Supply Chain and Medical divisions grew by 5% on a like for like basis.

Underlying operating profitablility was £7.4m compared to a loss of £0.7m in the previous year. The second half saw an increase of 64% sequentially to £4.6m (H1: £2.8m) being the result of sales growth combined with increasing gross margins, tight control of operating costs and the delivery of the BFi integration synergies.

Gross margins continued to improve as we developed our focus on selling highly differentiated products, from which customers derive real value. For the full year, gross margins increased by 0.8 percentage points to 28.4%, with the second half being 28.5%.

Despite the strong growth in sales, we have been controlled in adding back costs as sales have risen. Group operating expenses increased by 5.3% on a like for like basis, partially reflecting the synergy benefits from the integration of BFi. The integration has resulted in annualised savings of £4.4m (€5.3m), representing a 10% reduction of the combined cost base, in line with the forecast given at the time of the acquisition. Second half operating margins increased to 3.3% (H2 2009/10: 1.0%), delivering 2.8% for the year as a whole.

divisional performance

	FY 2010/11 Revenue £m	FY 2010/11 Operating profit[1] £m	FY 2009/10 Revenue £m	FY 2009/10 Operating profit[1] £m	H2 2010/11 Revenue £m	H2 2010/11 Operating profit[1] £m	H2 2009/10 Revenue £m	H2 2009/10 Operating profit[1] £m
Electronics	**202.8**	**9.1**	112.4	(0.2)	**106.3**	**5.6**	73.0	1.3
Supply Chain	**54.3**	**1.2**	62.0	1.3	**27.1**	**0.7**	32.8	0.7
Medical	**7.7**	**1.2**	7.2	0.8	**4.1**	**0.7**	4.3	0.5
Unallocated	**–**	**(4.1)**	–	(2.6)	**–**	**(2.4)**	–	(1.4)
	264.8	**7.4**	181.6	(0.7)	**137.5**	**4.6**	110.1	1.1

1 Underlying operating profit excludes exceptional items, earn-out remuneration and amortisation of acquired intangibles

Working capital continues to be tightly controlled. Despite the strong recovery in demand, overall working capital as a percentage of sales reduced to 12%, a 0.7% reduction in sales ratio from last year. In the Electronics division, our specialist model mainly serves customers on a project basis, and therefore is not generally reliant on immediate availability of stock to support sales. Project design cycles vary in length from a few months to two to three years before customers enter production. This gives greater visibility of forward demand, and reduces the need to hold uncommitted inventory. As a result, Group net stock turns have increased to 7.9x from 7.4x in H2 2009/10 and 5.3x in H2 2008/09.

Divisional performance

The divisional performance for the years ended 31 March 2011 and 2010, together with the second half performance in each year, are set out above.

Electronics

The Electronics division supplies a range of specialist electronic, photonic (laser), and imaging components and sub systems across Europe into a broad range of technically demanding industrial electronic manufacturing and system applications.

Products are characterised by the combination of their technically demanding sales requirements and the need for a customer specific configuration. As such, these products are generally difficult to source and require specialist input.

The Group enjoys a significant position in the European market place, being the only specialist distributor to have operations in all the major countries throughout Europe. This is attractive to our suppliers who depend on the high level of technical and market knowledge in each country, and who appreciate the efficient combination of a single point of interface and management. With the main economies of Western Europe continuing to be leading centres internationally for technology innovation and product development, we are particularly attractive to suppliers from other continents who seek to serve these markets but do not have the local knowledge or infrastructure to do so.

Many of the solutions we sell are specific to one customer, and often new to the market. Our customers are seeking technically challenging, often bespoke solutions that are not readily available elsewhere. They choose us because of the high technical capability of our staff and our ability to develop with them a bespoke solution, or our ability to modify the product for them (value add), or because the product is not available elsewhere. Often a combination of all three applies.

With strong local management and financial control in each country, the division operates through a number of specialist technology units. These operate across Europe with dedicated resource in each country under the leadership of technology unit heads.

Throughout the year we signed contracts with eleven new suppliers across five new technology units. Of these, we expect around two thirds to grow into significant generators of revenue over a two to three year period. The nature of our business means that there will always be a degree of churn as established products become commoditised, and replaced by new technologies. We continue to seek well established suppliers that are looking to expand either into Europe or into a broader industrial customer base. With the rate of technology innovation and proliferation into a wider range of applications continuing apace, we remain optimistic for future opportunities.

With the Electronics division accounting for nearly 80% of Group revenues and profits, we see opportunities to further develop both our existing areas of specialisation and to create new ones, both through organic development and selective value enhancing acquisitions.

The acquisition of BFi in December 2009 and subsequent integration has transformed the shape and performance of the Group as well as firmly establishing our leadership position within the specialist electronics distribution market. Electronics division revenues have grown from around 50% of Group revenues prior to the BFi acquisition to nearly 80%. At the same time, underlying operating profitability in the division has improved from a loss making position to an underlying operating profit of £9.1m for this year and £5.6m for the second half (4.5% and 5.3% underlying operating margins respectively).

The year has seen a significant improvement in sales and operating profitability

Additionally, the acquisition of BFi has enabled us to create a strong position in Germany, the largest electronics market in Europe by a significant margin, as well as throughout continental Europe, building on Acal's already strong positions in the UK, Belgium and the Netherlands. 70% of divisional revenues now come from outside the UK, of which Germany is the largest followed by France.

The merger of the two businesses enabled us to create a more efficient operating infrastructure for the division. The integration involved the merging of back office and support functions, essentially two into one, while maintaining separate sales and marketing channels and brand names (Acal Technology and BFi).

The integration has gone well, being delivered on time and with the planned benefits and savings. The division now operates on one common infrastructure and under one management organisation, comprising members from both businesses as well as new recruits.

The single operating infrastructure has been achieved through the installation of a common IT system, being an enhanced version of the Oracle JD Edwards platform in use in Acal for several years. This enabled the creation of one common finance, operations and back office support organisation. Of three European warehouses, one was closed (Eindhoven), leaving one central hub in Germany (Frankfurt) and one in the UK (Basingstoke).

Of twenty one offices across Europe, five duplicated offices (Munich, Stuttgart, Paris, Milan and Madrid) were closed through consolidation into nearby facilities. With the exception of Stuttgart, which was consolidated into Frankfurt, the closures enabled customer facing staff to be retained, being relocated to nearby facilities.

Overall, annualised synergies of £4.4m (€5.3m) per annum have been delivered, in line with the synergy forecast at the time of acquisition and representing approximately 10% of the Electronics division combined cost base. £3.0m of synergies has been reported for the full year, being a reflection of the phased implementation throughout the year. With all synergies achieved by the year end, the full annualised benefit of the savings will be seen in the next financial year, 2012.

The acquisition in January 2011 of Compotron brings to the Group a leading position in specialist filter and microwave transceiver components for the radio frequency (RF) and Microwave (MW) markets. The business is a natural complement to our existing communications technology unit.

Based in Munich, and with sales of £8.7m in the twelve months to 31 December 2010 (FY 2009: £6.1m), Compotron employs twenty two staff, of whom seventeen are based in Germany, three in the UK and two in Denmark. Operating margin in the calendar year 2009 was 14%. Compotron continues to operate as a standalone business, but within the Electronics division. Our opportunity lies in expanding the sales of their products throughout Acal's European organisation.

The performance of the Electronics division in the year has been robust, driven by strong sales growth combined with the delivery of the planned merger synergies. Year on year sales grew by 80% reported, 27% on a like for like basis. Order intake was strong throughout the year, with the customer order book ending the year 20% ahead of the prior year.

Sales of products manufactured in Japan and which represent approximately 4% of Group revenues, were not significantly impacted by the earthquake in mid-March and we have continued to meet our customers' needs.

Underlying operating profit and margin was £9.1m and 4.5% of revenue for the full year (prior year operating loss of £0.2m, and -0.2% respectively).

Supply Chain

The Supply Chain division provides service parts and inventory solutions to IT service providers, as well as aftermarket warranty services in the UK and Germany to original equipment manufacturers ("OEM").

The parts supply business provides new and in-house refurbished parts for IT systems including servers, mainframes, PCs and printers.

The inventory solutions business offers customers access to a range of parts with guaranteed availability levels that they would otherwise previously have held in their own stock.

We have a strong platform from which to continue the development of Europe's leading specialist electronics distributor

Much has been achieved during the past financial year. A major new customer contract was won in the fourth quarter providing inventory management solutions to a major European IT hardware and services provider. This is a significant win, coming as it does from a highly regarded and major player in its field, and serves as a demonstration of the value of our customer proposition.

Operationally, the infrastructure for the UK business has been simplified. The UK business now operates on one common infrastructure and a single IT platform. This enabled the consolidation of warehousing with one being closed, taking the total from three to two.

The loss making ATM Parts business was sold on 12 October 2010 for £0.7m, enabling the division to focus on its core business.

While reported sales for the year declined by 12%, like for like sales (excluding the disposal of ATM Parts and a non-core contract terminated in March 2010), grew by 5%.

Underlying operating profitability was £1.2m for the full year (2010: £1.3m) and constant for the second half at £0.7m. Included in the year is approximately £0.2m of investment in a new contracts division, the benefits of which are expected to be seen in the coming financial year.

Medical

The Medical division is based in the UK and South Africa, where it supplies and maintains specialist capital medical equipment to medical institutions, mainly the National Health Service in the UK and private clinics in South Africa.

Exclusively representing its suppliers, Vertec products are characterised by their technically demanding sales requirements and long sales cycles.

Reported sales for the year increased by 7% (5% at constant exchange rates) to £7.7m, being driven by demand for new mammography equipment in South Africa, and offsetting softness in spending in the UK particularly within the National Health Service. Tight operating cost management has contributed to a significant growth in operating profitability, up 50% to £1.2m.

Going forward, Medical's results will be included within Electronics.

Summary and outlook

This has been a year of significant progress. In addition to sales and profitability growth, both the Electronics and Supply Chain businesses have been restructured to make them more efficient and effective.

While there is still much to do, we have a strong platform from which to continue the development of Europe's leading specialist electronics distributor through a combination of organic growth and targeted acquisitions.

The market environment remains encouraging. With recovering global economies and a clear strategy that is delivering results, we remain optimistic for the future and the opportunities that lie ahead.

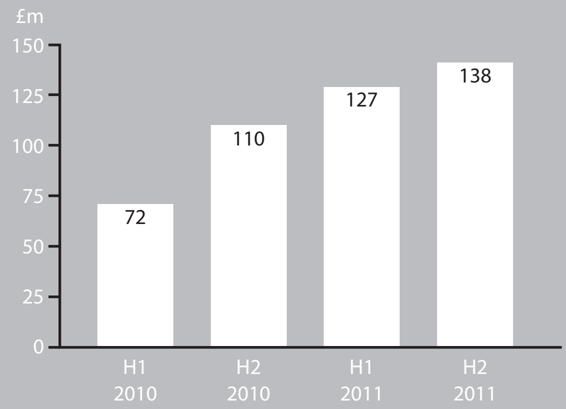
Nick Jefferies
Group Chief Executive
1 June 2011

group overview

Sales growth continues, driven by the Electronics division, with further improvements in operating profitability, an increase in gross margin and a reduction in the ratio of working capital to sales.

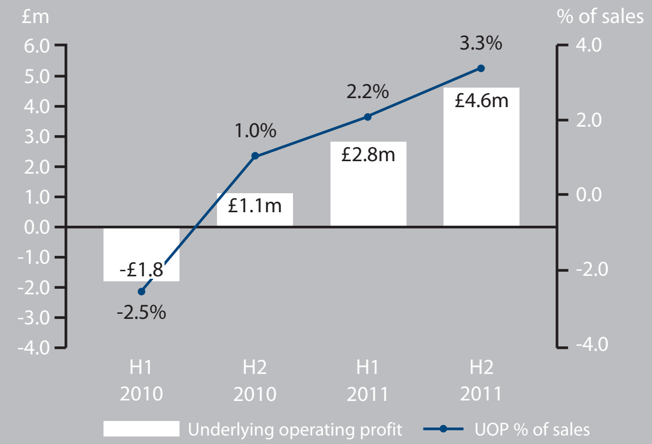
sales

The sales increase of 46% year-on-year was driven by the Electronics division, whose full-year sales increased by 27% on a like for like basis.



underlying operating profit

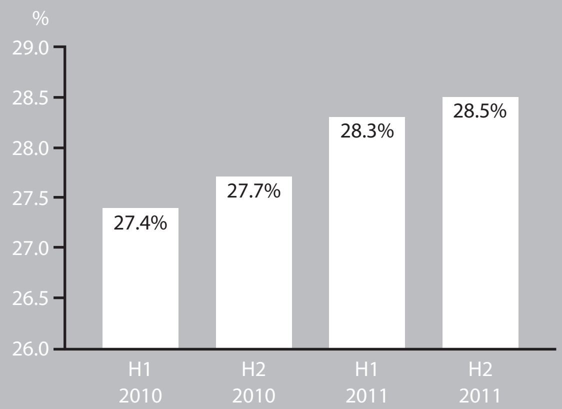
Underlying operating profit in the second-half increased to £4.6m, from £2.8m in the first-half, achieving a 3.3% operating margin (2.8% operating margin for the full year).



Underlying operating profit excludes exceptionals, the Compotron earn-out remuneration and the amortisation of acquired intangibles, but includes LTIPs.

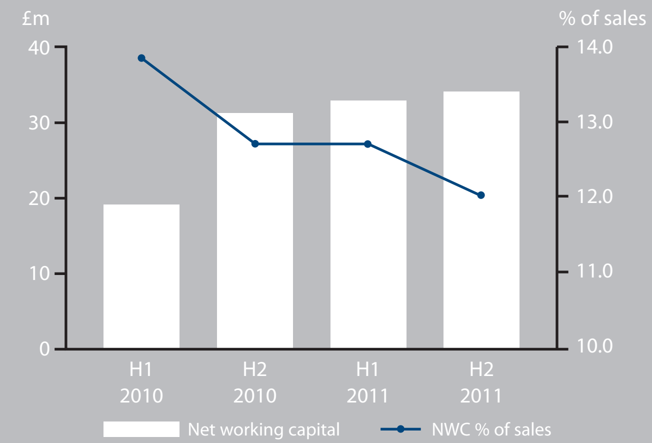
gross margin

The gross margin increased 0.8% points year-on-year to 28.4%, compared to 27.6% for the previous year, reflecting the Group's strategy of specialisation.



working capital

Net working capital, at 12% of sales in the second-half, improved by 0.7% year-on-year, with stock turns up to 7.9x from 7.4x (FY2010) and the same inventory as two years before on £100m more sales.



Net working capital is defined as net inventory, trade receivables and other receivables less trade payables and other payables.

strategic focus: Acal BFi Germany

supporting the green economy
voltwerk electronics GmbH

The "Green Economy" is often stated to be at the forefront of our fight to reduce reliance on carbon technologies.

Acal BFi GmbH has been working with Voltwerk to make this a reality. Voltwerk are one of the leading designers and manufacturers of photovoltaic inverters, an essential ingredient in any grid-connect photovoltaic power system. One of the many challenging components within the inverter is the power choke as it's an expensive component that directly impacts the conversion efficiency of the system.

Acal BFi, using its specialist technical knowledge of magnetic materials, designed and subsequently manufactured a power choke tailored to the specific needs of the Voltwerk system, producing an extremely competitive solution that improved system efficiency.

"The design of chokes for this application is challenging and has an impact on the efficiency of the system. By using the technical expertise of Acal BFi, we were able to achieve an inductor design that was not only cost-efficient but out-performed other solutions we had tried. It allowed us to optimize efficiency while reducing cost."

Dr Peter Knaup
Head of Product Development Electronics
voltwerk electronics GmbH
Germany

supporting manufacturing efficiency
Rolls Royce

Acal BFi UK helps customers to improve their manufacturing processes.

A recent collaboration with Rolls Royce is one example of how this operates in practice. Part of the process of manufacturing jet engines requires holes to be drilled in certain components with pinpoint accuracy. Due to the nature of the materials involved, laser machining is used for this purpose. In order to ensure that every hole is drilled with precision, thereby minimising waste, Rolls Royce and Acal BFi worked together to develop a solution that would enable the laser power to be measured both before and after each machinery cycle. The resultant solution was to use a laser power meter from Ophir, together with a wireless interface, that allowed the meter to remain inside the laser drilling machinery yet readable in safety.

"Our laser drilling and cutting process is governed by a strict adherence to parameters on a data card which means that we need the ability to monitor the laser output power at regular intervals. Previously, this has been a major problem to both our maintenance and production teams. The introduction of the wireless power meter recommended by Acal BFi enables us to check the health of the optics within the laser before and after each cycle with little or no risk to the component."

David Shield
N/C Systems Engineer
Rolls Royce

strategic focus: Vertec South Africa

supporting medical science
Universitas Hospital, Bloemfontein

Vertec Scientific is a leading supplier of equipment for the medical imaging and radiotherapy markets in the UK and has become the market leader in the supply of bone densitometry equipment.

Vertec SA, the South African subsidiary, was established in 2006 to replicate the success achieved in the UK market. Following earlier success with digital mammography equipment in the South African market, Vertec SA recently won the tender to supply Universitas Hospital in Bloemfontein.

Building on an already strong relationship, Vertec SA won the contract to supply Hologic Selenia Dimensions digital mammography equipment.

Vertec SA's local presence in Bloemfontein ensures the provision of customer support that is second to none.

"Universitas Hospital acquired a Hologic Selenia Dimensions mammography and tomosynthesis unit from Vertec SA in January 2011. We have received excellent service and ongoing support from Vertec and look forward to our future relationship."

Dr Susan Otto
Radiologist
Universitas Hospital
Bloemfontein

supporting service organisations
Getronics Nederland BV

Acal Supply Chain Limited (ASC), the leading independent provider of service part supply chains in Europe, has signed a three-year contract with Getronics in the Netherlands to manage the supply and processing of spare IT parts for their service organisation.

Building on a ten year trading relationship across Europe, the contract covers the supply and management of spare parts inventory and the processing and repair of returns from the field ("reverse logistics").

With a diverse customer base, Getronics Nederland BV's service organisation maintains and repairs a wide range of IT-based products. ASC adds value by providing the appropriate parts at the right time.

"Managing the availability of spare parts inventory without overstocking is a constant challenge. To be able to provide a lean 'just in time' financial model will reduce our internal costs and aid our growth ambitions. ASC have simplified this process for us by managing both supply and logistics while improving the availability of parts and reducing our stocks."

Dipak Guha
Global Supply Chain Director
Getronics Division

acal's markets

Acal operates in multiple niche markets. Each country has dedicated sales, engineering and marketing teams specific to each business unit reporting to the General Manager with a remit to implement locally the strategy agreed with the Business Unit Director.

electronics

communications

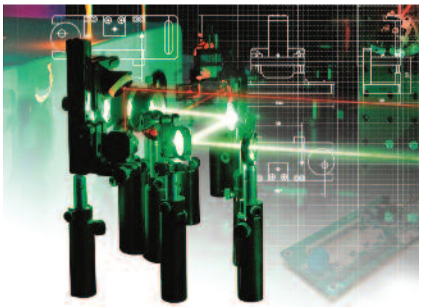
The surge in wireless communications is driving major innovations such as smart metering, worldwide digital adverting networks and car parking/charging meters for electric vehicles. Central to this new generation of machine-to-machine (M2M) applications is the range of specialist components offered by the Communications business unit, in addition to the expert design support and manufacturing services which are crucial for customers adopting new technologies.

electromechanical

The specialist in-house engineering team at the Electromechanical business unit has provided support for high-profile projects such as the Galileo space probe. The broad range of products provides customers with the choice of off-the-shelf and custom components combined with manufacturing services for custom heater, connector and fibre-optic assemblies for safety-critical systems where robust design and reliability are crucial.

microsystems

The Microsystems business unit understands the demands of embedded and network computing. With experience in applications ranging from telemetry systems, to graphics and IP telephony, the team's expertise spans single-board computing to enterprise networking. This diversity supports customers with component selection to full custom systems integration for some of the most demanding applications.



photonics

Light is used in markets as diverse as advanced scientific and medical instruments, industrial manufacturing and consumer applications. As one of Europe's leading specialists, the Photonics business unit provides customers with light sources and products for light detection and manipulation, as well as in-house calibration and expertise in set-up and installation at both local and European level.

power

Flexibility is crucial to enable the Power business unit's customers to address the most difficult challenges of power design in commercial, industrial, medical and military markets. The combination of a strong portfolio of standard and customisable power products and specialist design support is backed by in-house manufacturing. This provides an end-to-end service which includes fast prototyping and cost-effective manufacturing for low to medium volume production of power supplies.

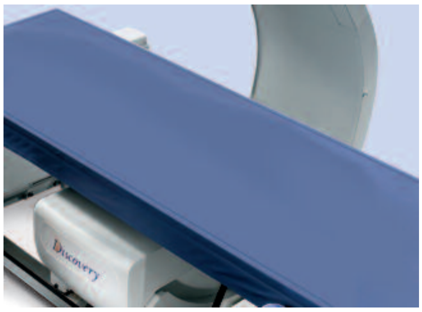
imaging

The Imaging and Electro-Optics business unit provides specialist support to military and security OEMs operating in vertical sectors such as force protection, homeland security, border protection and critical-asset surveillance. State-of-the-art components are combined with specialist engineering support for high-security applications, as well as after-sales service to maintain 24/7 operability of products in the field.

magnetics

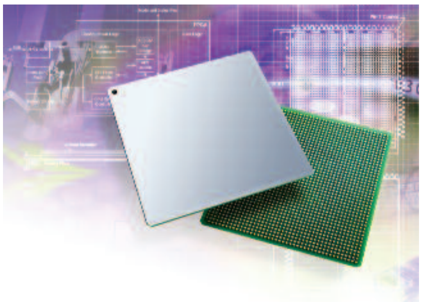
The Magnetic Components business unit is the only European distributor to provide customers with a single source for every magnetic component used in power-supply manufacturing. The product range spans standard current transformers for power monitoring, capacitors, filters, Electromagnetic Interference (EMI) shielding and heat dissipation materials, as well as customised chokes, transformers and filters which are developed and manufactured in-house.

medical



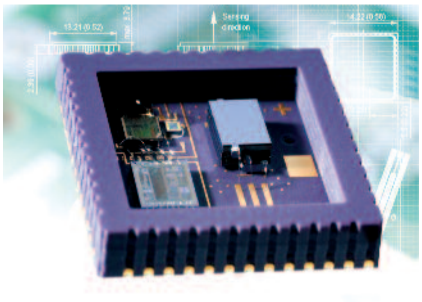
medical imaging

The Medical division, with operating companies in the UK and South Africa, provides products and an after sales service to third parties engaged in the medical and scientific sectors. It is the UK market leader in the supply of bone densitometry scanning equipment but is also involved in delivering and supporting products concerned with radiotherapy treatment positioning, computed tomography and digital radiography.



semiconductors

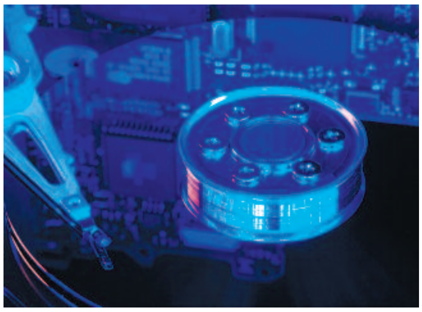
For customers, the Semiconductor business unit offers high-technology solutions and support; whilst for chip manufacturers it offers a totally dedicated sales and marketing team, with a thorough understanding of customers, markets and applications. Solutions range from low-level data processing applications, right up to the most advanced processing platforms which help customers to reduce cost and be first to market with innovative new products.



sensors

The Sensors business unit provides the expertise, components and assemblies which enable next-generation intelligent motion control and sensing. Sensors are used to measure every aspect of the world including carbon dioxide, pressure, temperature and movement. Accurate sensing and measurement are crucial for automating products as diverse as unmanned drones, motion-controlled games, smart phones, home appliances and industrial manufacturing processes.

supply chain



IT parts

The Supply Chain division provides IT parts and inventory solutions to field service organisations throughout Europe. Outside of Germany, it is engaged in reactive spares services, proactive inventory solutions and OEM authorised parts supply across multi-vendor Enterprise products and printer platforms and all major OEMs for portable, desktop PC and Wintel platforms. Inside Germany, it is engaged in aftermarket services, including OEM parts distribution and warranty support for OEMs.

group executive committee

Nick Jefferies
Group Chief Executive
Aged 45, Nick joined Acal as Group Chief Executive in January 2009. Formerly General Manager for Electronics globally at Electrocomponents plc, and having previously held senior positions at Arrow Electronics, he started his career as an Electronics Design Engineer for Racal Defence (now part of Thales plc).

Simon Gibbins ACA
Group Finance Director
Aged 44, Simon was appointed as Group Finance Director in July 2010. A Chartered Accountant, he was previously Global Head of Finance and Deputy CFO at Shire plc. Prior to joining Shire in 2000, he spent 6 years with ICI plc in various senior finance roles, both in the UK and overseas. His earlier career was spent with Coopers & Lybrand in London.

Philippe Gruson
President, Electronics Division
Aged 53, Philippe joined Acal when it acquired the BFi Optilas Group (of which he was President) in December 2009. Philippe is President of the Electronics Division of Acal and has over 20 years experience in specialist distribution, including time spent with Avnet, Inc when it owned BFi Optilas.

P H Neville ACA
Group Commercial Director
Aged 44, Paul was appointed Group Commercial Director in March 2009. A Chartered Accountant, he has over 15 years experience of working in senior management positions for listed public companies, including Wincanton plc and Uniq plc. Prior to joining Acal, he was Group Chief Executive of an AIM listed software development company.

Martin Pangels
Group Strategy and Development Director
Aged 43, Martin is Group Strategy and Development Director. He joined Acal in July 2010 after working as an advisor to the business. Prior to joining Acal, Martin spent 9 years at Electrocomponents plc, where he was Regional General Manager for Europe, and 6 years with Bain & Company as a strategy consultant.

Gary Shillinglaw FCIS
Group Company Secretary
Aged 61, Gary joined Acal as Group Company Secretary in August 2008. A qualified Chartered Secretary, he has previously held that position in a number of listed and non-listed public companies, including Countryside Properties plc, B&Q plc and First Leisure Corporation plc.

financial review

Strong growth in revenue

Group revenue for the year increased by 46% to £264.8m (2009/10: £181.6m) with strong like for like sales growth up 21% over last year. This growth is principally driven by the Electronics division which represented 77% of Group revenue during the year and delivered like for like sales up 27% over last year. Second half Group revenue increased 25% to £137.5m (H2 2009/10: £110.1m), and was up 17% on a like for like basis. Like for like growth in the second half was less than the first half growth of 25% due to much higher second half comparatives as the Group recovered from the recessionary lows experienced in H1 last year. Reported revenue for the second half was up 8% over the first half sales performance (up 6% on a like for like basis), with the second half representing 52% of total annual revenues in line with historic trends.

A review of the divisional results for the year is set out in the Strategic and Operational Review.

Improving gross margins and operational efficiency

Gross margins improved to 28.4% compared to 27.6% last year reflecting the shift in strategy away from fulfilment orders to a more specialised, value add, higher margin business. The Group has now delivered incremental sequential growth in gross margins over the last four half years from 27.4% in H1 2009/10 to 28.5% in H2 2010/11.

Over the same period, the Group also delivered improving operational efficiency with underlying operating expenses as a percentage of sales reducing from 29.9% in H1 2009/10 to 25.2% in H2 2010/11. This represents sequential improvement in each of the last four half years including 0.9 percentage points improvement in the last six months (H1 2010/11 operating expenses as a percentage of sales: 26.1%).

This improvement is the result of tight cost control during a year of strong sales growth together with the realisation of synergies generated from the integration of BFi. The Group delivered its BFi acquisition synergy plan with £3.0m of synergies arising in the year, annualising at 31 March 2011 to £4.4m (€5.3m), in line with the synergy forecast at the time of the acquisition.

Exceptional items

Exceptional items for the year totalled £4.4m (2009/10: £4.7m) of which £3.6m related to the BFi integration. Other exceptional costs comprised £0.6m in relation to the restructure and integration of the Supply Chain division, £0.2m in relation to other Group restructuring, £0.4m for the write down of assets relating to the disposal of the ATM Parts business and £0.2m in respect of the acquisition of Compotron. Partially offsetting this was a £0.6m credit relating to potential obligations no longer applying to disposal transactions from earlier years.

Total exceptional costs for the BFi integration were £6.0m (£3.6m this year and £2.4m in 2009/10), in line with the originally anticipated cost. Total integration costs comprised £2.4m on redundancies (£1.7m this year), £3.1m on commercial, IT and legal integration (£1.4m this year) and £0.5m on onerous leases (£0.5m this year).

Growing operational profitability

Underlying operating profits for the year were £7.4m or 2.8% as a percentage of sales. This marks a transformational turnaround in the business from an underlying operational loss of £0.7m in the prior year. Through the combination of improving gross margins and better operational efficiency, the Group has delivered increasing underlying operating performance over each of the last four half years, rising from an underlying operational loss in H1 2009/10 of £1.8m (-2.5% of sales) to an underlying operational profit in H2 2010/11 of £4.6m (3.3% of sales), a swing of 5.8% of sales within 18 months.

Reported operating profits (including exceptional items of £4.4m, earn-out costs of £0.2m and amortisation on acquired intangibles of £0.3m) were £2.5m compared with a loss last year of £5.5m. This is the first reported operating profit since the year ended 31 March 2008 as the Group's specialisation strategy starts to deliver. Reported operating profits for H2 2010/11 were £2.6m (H2 2009/10: loss of £3.3m).

Lower finance costs

Total finance costs for the year of £0.6m (2009/10: £0.8m) comprised a net interest charge and an IAS 19 pension finance charge relating to a legacy defined benefit pension scheme.

The net interest charge of £0.3m was up £0.1m from last year and comprises interest and fixed charges arising from the operation of the Group's committed and uncommitted facilities. The increase reflects the cost of extending the Group's committed working capital facilities (up to £20m from £8m reported at 31 March 2010) and the increased use of those facilities during the year to fund inter month working capital outflows.

The IAS 19 charge was £0.3m for the year (2009/10: £0.6m), with the reduction primarily related to a higher than expected return on assets.

A strong return to profitability and pre exceptional cash generation positions us well for the future

Taxation

The underlying effective tax rate at 23% is lower than the UK tax rate of 28% mainly due to the utilisation of tax losses in certain territories which are now profitable. This compares favourably to an underlying effective rate in 2009/10 of -38% due to losses before tax in the year combined with unrecognised tax losses. At the year end, the Group still had access to approximately £18m of tax losses in Europe.

The overall effective tax rate was 11% (FY 2009/10: -5%). This rate is lower than the underlying effective tax rate due to the higher rate of tax relief anticipated on exceptional costs.

Return to bottom line profitability

Strong underlying profits and a better underlying tax rate combined to achieve an underlying diluted earnings per share for the year of 18.6 pence (2009/10: loss of 6.3 pence). Of this, underlying earnings per share of 11.8 pence were generated in the second half building on first half underlying earnings per share of 6.8 pence, an increase of 74%.

Including underlying adjustments, the fully diluted earnings per share for the year were 5.7 pence (2009/10: loss per share of 24.5 pence). This marks a return to overall profitability for the first time since the year ended 31 March 2008.

Increase in dividend

For the year ended 31 March 2011, the Board has recommended a final dividend of 5.14 pence per share (2009/10: 4.67 pence per share), an increase of 10%. An interim dividend of 2.33 pence per share was paid in January 2011 (2009/10: 2.33 pence per share), making the total dividend for the year 7.47 pence per share (2009/10: 7.0 pence per share), an increase of 6.7%.

Continuing acquisition strategy

On 11 January 2011, the Group acquired 100% of Compotron for a maximum amount of €8.5m (£7.1m) comprising an upfront cash payment of €6.2m (£5.2m), a working capital settlement of €0.6m (£0.5m) paid in April 2011 and an earn-out of up to €1.7m (£1.4m) payable in January 2013 subject to the business achieving agreed performance targets over the next two years. £0.9m of cash was acquired with the business. The owner managers of Compotron have remained with the business and purchased new ordinary shares in Acal plc for £0.1m in total.

Under IFRS 3 (revised), the expected cost of the earn-out must be recognised through the income statement over the two year earn-out period of which £0.2m was accrued for the first three months of Group ownership ending 31 March 2011. The balance of £1.2m will be accrued across the remaining 21 months of the earn-out period subject to any deterioration in performance. The cost of this earn-out is being treated as an underlying profit adjustment.

Compotron's revenues for its year ended 31 December 2009 were €7.3m (£6.1m) generating a pre tax profit of €1.0m (£0.8m). Revenues for its year ended 31 December 2010 were €10.2m (£8.7m).

Disposal of non core assets

On 12 October 2010, the Group sold its loss-making subsidiary, ATM Parts Company Limited ("ATM Parts") for a consideration of £0.7m on a debt free, cash free basis. The disposal gave rise to an exceptional charge of £0.4m being the value impairment of the net assets sold.

Working capital

During the year, like for like sales have increased by 21%. Despite this overall growth in sales and acquisitions activity, net working capital increased by only 5% to end the year at £33.0m leading to a reduction in the working capital ratio from 12.7% at 31 March 2010 to 12.0% at 31 March 2011 as management continue to optimise working capital investment.

Further improvement has been made in inventory management with net stock turns increasing from 7.4x to 7.9x reflecting the shift in the Electronics business strategy towards specialisation focussed on more back to back ordering and less fulfilment stock holding. Trade debtors outstanding at the year end were 55 days (31 March 2010: 51 days). Working capital creditors outstanding at the year end improved to 52 days (31 March 2010: 48 days).

Cash flow and financing

Underlying operating cash flow generated in the year was £9.1m being underlying operating profit of £7.4m adjusted for key non-cash items of £1.7m comprising depreciation of £1.1m, amortisation (excluding amortisation on acquired intangibles) of £0.3m and share based payments of £0.3m.

The Group invested a net £4.4m related to acquisitions and disposals during the year, all in the second half. The Company paid an upfront amount of £5.2m for the acquisition of Compotron in

Continuing improvements in operating margins and working capital optimisation reflect our specialisation strategy

the last quarter of the year. Acquired with the company was £0.9m of cash making a net payment in the year of £4.3m. Future cash payments of up to €2.3m (£1.9m) are payable at the year end comprising a working capital settlement of €0.6m (£0.5m) which was paid in April 2011, and earn-out remuneration of up to €1.7m (£1.4m) payable in January 2013.

In October 2010, the Company received a net £0.6m for the sale of its ATM Parts business (proceeds of £0.7m less costs of £0.1m) while in March 2011 it paid £0.7m to Avnet Technology Solutions, being the final working capital payment due in respect of the sale to Avnet of the IT Solutions business in September 2007.

Other investment and funding cash outflows for the year mainly comprised the exceptional cash cost of restructuring and integration of £5.2m (primarily related to the integration of BFi), the payment of dividends of £2.0m and capital expenditure of £1.3m.

The resulting net cash outflow for the year was £7.0m. Excluding exceptional cash costs of £5.2m and net acquisition cash cost of £4.4m, the Group generated cash of £2.6m in the year.

The net overall cash flow for the year of £7.0m, together with a foreign exchange loss arising on translation of £0.2m, reduced net cash balances from £13.9m at 31 March 2010 to £6.7m at 31 March 2011.

In the second half of the year, stronger operational cash flow (£5.4m for H2 2010/11 compared to £3.7m for H1 2010/11) and improved working capital management helped deliver cash flow (before exceptional payments and acquisitions) of £2.8m for the half year. Together with exceptionals (£1.8m) and net cash outflow for acquisitions and disposals of £4.4m (detailed above), there was a net cash outflow in the second half of £3.4m.

At 31 March 2011, the Group had access to committed working capital facilities of £19.7m which it requires from time to time to fund inter-month outflows of working capital. Such inter-month outflows resulted in net average borrowings across the final quarter of the year of £0.5m.

Net assets

Net assets at 31 March 2011 of £51.3m were marginally below net assets at the end of last year (£51.9m) with net after tax profits for the year of £1.7m being offset by the cost of dividends in the period of £2.0m.

Pension deficit

The Group has a legacy defined benefit scheme that relates to the acquisition of Sedgemoor Limited in 1999. The scheme has been closed to both new entrants and new contributions since 2000.

Assets of the defined benefit scheme were valued at £29.1m at 31 March 2011 (31 March 2010: £29.3m). Scheme liabilities under International Accounting Standard No 19 (IAS19) were valued by the actuaries at £34.6m (31 March 2010: £34.8m), giving a deficit of £5.5m (31 March 2010: £5.5m).

The most recent funding valuation, conducted at 31 March 2011, showed a deficit of £8.8m. A funding plan was agreed between the Fund's Trustees and Sedgemoor Limited in May 2010 comprising annual payments by the Group of £0.7m for each of the years ended 31 March 2011 and 2012, then increasing by 3% per annum from a base of £1.5 million in 2013 for a further 10 years.

For existing and new Acal employees, the Group operates a defined contribution scheme.

Risks and uncertainties

The risks and uncertainties which may have the largest impact on performance are described in the Director's Report on page 21 to 23. In summary these are:

- Commercial risks – product demand, competition, product liability, loss of contracts, supply chain disruption and loss of key personnel.

- Financial risks – liquidity, foreign currency, interest rates and credit risks, retirement benefits funding and acquisitions.

Acal's risk management processes cover identification, impact assessment, likely occurrence and mitigation actions. Some level of risk, however, will always be present.

Simon Gibbins
Group Finance Director
1 June 2011

corporate information and financial calendar

contents

corporate information

Registered office
Acal plc
2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

Telephone 01483 544500

Incorporated in England
and Wales with
registered number 2008246

Stockbrokers
Oriel Securities Limited

Principal bankers
Barclays Bank PLC
Lloyds TSB Bank plc

Auditors
Ernst & Young LLP

Registrars
Equiniti Limited

financial calendar 2011/2012

Annual General Meeting	28 July 2011
Results	
Interim report for the six months to 30 September 2011	Late November 2011
Preliminary announcement for the year to 31 March 2012	Early June 2012
Annual report 2012	Late June 2012
Dividend payments	
Final dividend 2010/2011	29 July 2011
Interim dividend 2011/2012	Late January 2012
Final dividend 2011/2012	Late July 2012

directors' report

The Directors present their Annual Report with the audited financial statements for the year ended 31 March 2011. This report is the "management report" for the purpose of the Disclosure Rules and Transparency Rules. The Business Review referred to below is to be treated as being part of this Report.

Results

The results of the Group for the year to 31 March 2011 are set out in detail in the consolidated income statement on page 38.

The Directors recommend a final dividend of 5.14p per share (2010: 4.67p). The final dividend together with the interim dividend of 2.33p (2010: 2.33p) makes a total dividend for the year of 7.47p per ordinary share (2010: 7.00p). The total dividends on ordinary shares will absorb £2,126,000 (2010: £1,989,000).

Principal activities and business review

Acal plc is the parent company of a sales, marketing and services group with three divisions: Electronics, Supply Chain and Medical. During the year the Group acquired 100% of the issued share capital of CompoTRON GmbH, a specialist provider of electronic communication components. Further details of the acquisition are set out in note 11 to the financial statements. The Group also disposed of 100% of the share capital of ATM Parts Company Limited. Further details of this disposal are set out in note 12 to the financial statements. There were no other major changes to the Group's activities during the year under review. On a regular basis the Board reviews all businesses within the Group to ensure that its strategy is being delivered and to examine other opportunities to enhance shareholder value. At the date of this Report the Board has taken no decisions which could result in any significant changes in activities during the current financial year.

During the year the Group's turnover increased by 46% over the prior year whilst underlying profit before tax was £7.1 million compared to a loss of £0.9 million in the prior year. The balance sheet as at the year-end and the equivalent statement as at 31 March 2010 are shown on page 40. A review of the business and future developments of the Group is presented in the Chairman's Statement, in the Strategic and Operational Review and in the Financial Review on pages 2 to 3, 5 to 8 and 17 to 19.

The Group does not have contractual or other arrangements with any contractors, customers or suppliers that are critical to the business.

Key performance indicators

Our progress on our strategic objectives is monitored by the Board of Directors by reference to the following key performance indicators applied on a Group-wide basis:

	Year ended 31 March 2011	Year ended 31 March 2010
Underlying operating profit/(loss)*	**£7.4m**	£(0.7)m
Underlying profit/(loss) before tax*	**£7.1m**	£(0.9)m
Gross margin	**28.4%**	27.6%
Underlying operating margin	**2.8%**	(0.4)%
Underlying diluted earnings per share*	**18.6p**	(6.3)p
Working capital to sales	**12.0%**	12.7%
Days sales outstanding	**55**	51
Stock turns	**7.9**	7.4

* Underlying profits and earnings are defined in note 2 to the financial statements on page 44.

Acquisition of Hectronic AB

On 1 June 2011 the Company announced the acquisition of 100% of Hectronic AB ("Hectronic"), for cash consideration of £1.2m (sek12m) before expenses and net debt acquired. Hectronic has been acquired from the majority shareholder, Verdane Capital III AS, a Private Equity Company in the Nordic region. The cash consideration will be paid from the Group's existing cash resources. Hectronic is a specialist provider of embedded computing technology to industrial electronic markets. Based in Sweden, it generates revenues across the Nordic region. The company will form a separate business unit within Acal's Electronics division and will retain its strong independent brand identity.

Principal risks and uncertainties

Risks and uncertainties affecting the Group's electronics, supply chain and medical equipment markets could have a material impact on the Group's performance and cause actual results to differ significantly from expected and historic performance. Acal's risk management processes cover identification, impact assessment, likely occurrence and mitigation actions. Some level of risk, however, will always be present.

Financial risks

- Liquidity
  This is the risk that the Group could have insufficient resources to meet its financial liabilities as they fall due. The Group addresses this risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows to ensure that liquidity requirements will be met. The Group regularly discusses its requirements with its principal bankers and it is considered unlikely that the Group will face any significant funding issues in the foreseeable future.
- Foreign currency
  The Group's main foreign exchange exposures relate to the translation of results and net assets denominated in overseas currencies into sterling (translational exposure), and the occurance of transactions in currencies other than the operational currency of the transacting

company (transactional exposure). The policy of the Group is to use hedges to reduce the foreign currency risk associated with transactional exposures. These hedges are achieved through forward currency contracts and currency borrowings. No hedging of translational exposure takes place.

- Interest rates
  Fluctuations in rates affect the interest the Group receives on its cash deposits and the amount payable on external borrowings. At 31 March 2011, the Group had no such hedges against its interest rate risk.

- Credit
  Credit risk exists in relation to customers, banks and insurers. These risks are mitigated by maintaining rigorous credit control procedures across a wide customer base.

  Credit risk attributable to trade and other receivables is minimised by dealing with recognised creditworthy third parties who have been through a credit verification process. The maximum exposure to credit risk is limited to the carrying value of trade and other receivables.

  As well as credit risk exposures inherent within the Group's outstanding receivables the Group is exposed to counterparty credit risk arising from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions.

  The Group manages this credit risk by entering into financial instrument contracts only with highly credit-rated counterparties which are reviewed and approved annually by the Board. The Group has Board approved maximum counterparty exposure limits for specified banks and financial institutions based on the long term credit ratings of Standard & Poor's and Moody's.

  Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and that there are no significant concentrations of credit risk.

- Retirement benefits funding
  The funding position of the Group's post-retirement benefit scheme (the Sedgemoor Scheme – see note 33 to the financial statements on page 74), may be adversely affected by poor investment performance, changes in interest and inflation rates, improved mortality rates and changes in the regulatory environment. The income statement, and the level of cash contributions required to be made to the scheme, may be positively or negatively affected by the amount of the retirement benefits obligations.

  The Sedgemoor Scheme has been closed to new members since 1999 and shortly thereafter future service benefits ceased to accrue to existing members. Deficit recovery plans are agreed with the Trustee of the scheme based on actuarial advice and the results of scheme valuations.

- Acquisitions
  The Group considers acquisitions as part of its growth strategy. Such acquisitions may not realise the benefits anticipated. The Group undertakes due diligence and obtains representations, warranties and indemnities from vendors where possible. The Group implements comprehensive business integration processes.

Commercial and other risks

- Product demand
  A significant or prolonged downturn, due to recession, would decrease demand for the Group's products and adversely affect Group revenue. The Group spreads its activities across the Electronics, Supply Chain and Medical markets to reduce its exposure to any one business and constantly reviews its costs to partially mitigate any reduction in demand.

- Loss of major suppliers or customer(s)
  As with any business, the loss of one or more major suppliers or customers can be a material risk. The nature of the Group's businesses, however, ensures that there is not a high level of dependence on any individual suppliers or customers. No supplier represents more than 4.2% of total Group revenue with the next largest at 2.4%. No customer represents more than 2% of total Group revenue.

- Technological change
  The Group's businesses operate in specialised markets offering products which are technical in nature. As a result, there is always the risk that a technological change will make specific products less competitive or in the worst case, obsolete. In addition to the write-off of unsaleable inventory, this can impact the sales performance of the business if replacement products are not available. The Group's exposure to this risk is reduced by the spread of businesses and technologies.

  The operating businesses monitor the key technologies to ensure early warning of changes in product competitiveness. Also, the businesses, with sufficient lead time, mostly have the opportunity to change suppliers in the event of a major technology shift.

- Competition
  The Group competes in a highly competitive global market that has experienced significant consolidation in recent years. Losing contracts to competitors, many of whom have greater financial and marketing resources, or being forced to accept lower margins, would have an adverse impact on the Group's results. The Group mitigates this risk by diversifying its operations across divisions, geographies and product types.

- Product liability
  There is a risk that products supplied may fail in service, which could lead to a claim under product liability. To offset this risk, technically qualified personnel and control systems are in place to ensure products meet quality requirements. Further, the Group has established Group-wide product liability insurance.

- Contracts
  The Supply Chain division enters into significant long-term contracts for the outsourcing of parts services. There is a risk that the Group could suffer losses on such contracts through incorrect pricing, through an inaccurate assessment of the costs associated with such contracts or through weak business processes. To mitigate this risk, major contracts must go through a Board approval process to ensure that risks associated with such contracts have been properly evaluated.

- Supply chain
  The Group relies on independent suppliers for the products which it distributes, some of which may be available from a limited number of suppliers or distributed under agreement with a specific supplier. Any disruption to the supply chain could have an impact on the Group's ability to meet customer requirements and adversely affect the Group's results. The Group maintains significant investment in logistics facilities and subjects business continuity plans to regular testing to manage the risk of a loss of a major facility or supplier.
- Major damage to premises
  The Electronics business has two central warehouse facilities. Major damage to either of these facilities from fire, malicious damage or natural disaster would impact the business for a period until the damage is repaired or alternative facilities have been established.

  The businesses have developed plans to prevent incidents, and business contingency plans in the event such an incident occurred. Insurance policies are also in place including property, contents and business interruption cover which would mitigate the financial impact.
- Loss of information technology ("IT") systems
  Computer systems are critical to the businesses since their success is built on high levels of customer service and quick response. A complete failure of IT systems, with the loss of trading and other records, could be very damaging. IT system failure could have a number of causes including power failure, fire and viruses. Business interruption insurance cover is held across the Group and contingency plans have been drawn up in all businesses.
- People
  The success of the Group depends upon the efforts, experience and expertise of certain senior and specialist employees. Failure to retain them or recruit suitable replacements would have an adverse effect. To mitigate this risk, the Group maintains competitive remuneration packages and good communications at all levels.

Employee involvement

The Group is committed to the principle of equal opportunity in employment. Employment policies are fair, equitable and consistent with the skills and abilities of its employees and the needs of the Group's business. These policies ensure that everyone is accorded equal opportunity for recruitment, training and promotion. The Group remains supportive of the employment and advancement of disabled persons, in relation to which further information is included in the Corporate Social Responsibility statement on page 34.

It is Group policy to communicate with employees on major matters to encourage them to take an interest in the affairs of their employing company and the Group. Each of the Group's operating companies is responsible for developing effective arrangements in this regard, including the creation of a common awareness by employees of the financial and economic factors affecting their employing company's performance.

Acal recognises the importance of its responsibilities in relation to the environment, to social and community issues and to business ethics, as well as to its employees. Further information is included in the Corporate Social Responsibility statement on page 34.

Directors

The current Directors of the Company are detailed in the Board Report on Corporate Governance on pages 25 to 28 which is publicly available on the Company's website at www.acalplc.co.uk. Directors' remuneration, service contracts and Directors' interests are disclosed in the Directors' Remuneration Report on pages 29 to 33.

The Articles of Association of the Company contain an indemnity in favour of the Directors which is a Qualifying Third Party Indemnity within the meaning of s. 236 of the Companies Act 2006 and is in force at the time of approval of this Annual Report. Also, Directors of associated companies are subject to this Qualifying Third Party Indemnity.

In addition, each Director of the Company has entered into a Deed of Indemnity with the Company which operates only in excess of any right to indemnity which a Director may enjoy under any such other indemnity or contract of insurance.

Additional information for shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeover Directive into UK Law.

As at 31 March 2011 the Company's issued share capital consisted of 28,479,804 ordinary shares of 5p each. On a show of hands at a general meeting of the Company every holder of ordinary shares present in person is entitled to vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. There are no restrictions on the transfer of ordinary shares in the Company other than those that may be imposed by law or regulation from time to time.

The Company's Articles of Association may be amended by a special resolution at a general meeting of the shareholders. Directors are appointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a Director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. Any Director who has held office for more than three years since their last appointment must offer themselves for re-election at the next Annual General Meeting.

The Directors have the power to manage the Company's business subject to the provisions of the Company's Articles of Association, law and applicable regulations. The Directors have the power to issue and buy-back shares in the Company pursuant to the terms and limitations of resolutions passed by shareholders at each Annual General Meeting of the Company.

Directors' interests in the share capital of the Company are shown in the table on page 32. Substantial shareholder interests of which the Company has been notified are shown below.

The Company is party to a number of commercial agreements which, in line with normal practice in the industry, may be affected by a change of control following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid (but see "Special Awards: Mr N J Jefferies and Mr S M Gibbins" on pages 30 to 31).

Issue of shares under share option and long-term incentive schemes
No shares were issued during the year under the Group's executive share option and long-term incentive schemes.

Substantial shareholdings
As at 1 June 2011 the Company has been notified of the following major shareholdings equal to or in excess of three per cent of the issued share capital:

	Holdings of ordinary shares (5p)	% holding
Aberforth Partners LLP	5,118,200*	18.0
Henderson Global Investors Limited	2,830,823	9.9
Mr & Mrs J A H Curry	2,443,500	8.6
M&G Investment Management Ltd	2,141,224	7.5
Mr & Mrs A J Laughton	1,384,900	4.9
Herald Investment Management Ltd	1,339,992	4.7
Polar Capital European Forager Fund Ltd	1,188,343	4.2
Aviva plc & Subsidiaries	923,524	3.2

* Includes 1,165,700 shares in relation to which Aberforth have no access to the voting rights.

Acquisition of company's own shares
At the end of the year, the Directors had authority to purchase through the market up to 2,841,835 of the Company's ordinary shares, being approximately 10% of the Company's issued share capital as at 25 June 2010, at prices ranging between the nominal value and an amount equal to the higher of (a) 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased and (b) that stipulated by Article 5(i) of the Buy-back and Stabilisation Regulations 2003.

The authority expires at the conclusion of the 2011 Annual General Meeting or on 28 October 2011, whichever is the earlier. The Directors will seek to renew this authority at the next Annual General Meeting.

No shares were purchased under this authority during the year.

Donations
During the year £nil (2010: £nil) was donated by Group companies for charitable purposes. No contributions (2010: £nil) were made for political purposes.

Auditors
A resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of Ernst & Young LLP as auditors of the Company.

Disclosure of information to auditors
The Directors have taken all necessary steps to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information. As far as the Directors are aware there is no relevant audit information of which the Group's auditors are unaware.

Supplier payments
The Group makes arrangements for payment of suppliers in the ordinary course of its business, taking into account good practice locally. It is the Group's policy to adhere to agreed arrangements, which can vary from supplier to supplier and territory to territory, when goods or services have been delivered satisfactorily.

Trade creditors of the Group at 31 March 2011 were equivalent to 52 days purchases (2010: 48).

Use of derivative financial instruments
A statement in relation to the use of derivative financial instruments by the Group is shown in note 2 to the financial statements on page 48.

By order of the Board

G P Shillinglaw
Group Company Secretary
1 June 2011

2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

board report on corporate governance

The Acal Group is committed to effective corporate governance and continues to operate principles and procedures that are appropriate to its business. This statement describes how Acal applies the principles of the Financial Reporting Council's Combined Code on Corporate Governance (2008 edition) (the 'Code') by considering each of the main headings included within the Code. Acal complied with all provisions of the Code throughout the year to 31 March 2011.

As disclosed in the Director's Report on page 23, this statement is publicly available on the Company's website at www.acalplc.co.uk.

The board

Acal is led by a strong and experienced Board with a broad range of business and financial skills. Throughout the year under review it consisted of Mr R J Moon as Non-Executive Chairman, together with Messrs E A Barton, G J Williams and I R Fraser as Non-Executive Directors, and Mr N J Jefferies as Group Chief Executive.

Mr S M Gibbins was appointed as Group Finance Director of the Company on 20 July 2010. The size and composition of the Board is considered to be appropriate to the Group's business at present although this is kept under review by the Nomination Committee.

The Board operates within a framework of controls used to minimise the adverse impact of any risks, including a formal schedule of matters reserved for its decision. These are important matters and include the determination of the Group's overall strategy and management, the approval of financial statements, dividends, business plans, financing and treasury matters, major capital expenditure and any litigation of a material nature. The schedule is reviewed on a regular basis. The Non-Executive Directors challenge management proposals where appropriate and carefully monitor management performance and reporting throughout the year.

As detailed below, certain matters are delegated to the Group Executive Committee and to the Audit, Remuneration and Nomination Committees. The Board also has a General Purposes Committee consisting of any two Directors of the Company which has delegated authority to approve certain defined and routine matters between Board meetings. There were fourteen meetings of the full Board during the year to 31 March 2011, with all Directors attending all meetings with the exception of one meeting which Mr G J Williams was unable to attend and one meeting which Mr I R Fraser was unable to attend. All Directors attended the meetings of all Committees on which they served, with the exception of one meeting of the Audit Committee and one meeting of the Nomination Committee which Mr G J Williams was unable to attend.

The Group maintains appropriate Directors' and Officers' Liability insurance.

Chairman and group chief executive

The Company has both a Chairman and a Group Chief Executive. There is a clear division of responsibilities which has been agreed by the Board and is available from the Company on request. The Chairman is responsible for running the Board which includes the operation of the Board's overall procedures, providing a forum for constructive discussion and ensuring receipt of clear and timely information. The Group Chief Executive is responsible for the management of the Group's businesses and reporting their progress to the Board. Major decisions have to be made by the Board as a whole, and no one individual has unfettered power of discretion.

Board balance and independence

As noted above the Board currently comprises two Executive Directors and, including the Chairman, four Non-Executive Directors. Each Director has a role, and no individual or small group of individuals determines the Board's decision-making.

No Non-Executive Director who served during the year:

- has been an employee of the Group within the last five years;
- has, or has had within the last three years, a material business relationship with the Company, either directly or indirectly;
- receives remuneration, other than a Director's fee, participates in the Companys share incentive schemes or is a member of the Company's pension scheme;
- has close family ties with any of the Group's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of their appointment to the Board.

The Non-Executive Directors of the Company are, therefore, considered to be independent.

Mr E A Barton is the Senior Independent Director and is available to shareholders should they have concerns that cannot be resolved through other channels.

The Chairman meets with the Non-Executive Directors, but without Executive Directors present, as and when required. The Non-Executive Directors meet when required without the Chairman present and, as stated below, the Senior Independent Director leads the process of appraising the Chairman's performance in conjunction with the other Non-Executive Directors.

Appointments to the board

The Nomination Committee has a duty to ensure that an appropriate balance of skills is retained on the Board and appropriate succession planning is in place.

The Nomination Committee is chaired by Mr R J Moon. Messrs E A Barton and G J Williams, as Non-Executive Directors, and Mr N J Jefferies, as Group Chief Executive, are the other members of the Committee.

Before any appointment to the Board is considered, a job specification is prepared and agreed by the Nomination Committee. Unless the appointment is as an Executive Director for which a suitable candidate is available from within the Group, appropriate executive search or other organisations with databases of candidates are consulted before a short-list of suitable candidates is produced for agreement by the Nomination Committee. Candidates meet all members of the Nomination Committee which then makes recommendations to the Board. All members of the Board would usually meet with the relevant candidate before an appointment is finally made.

On the appointment of Mr R J Moon as Chairman an assessment was made of the time commitment expected and of Mr Moon's other significant commitments. Mr Moon continues to hold non-executive Chairman positions with Planit Holdings Limited and OBS Medical Limited. He is also a Director of Synergie Business Limited.

The Nomination Committee met formally three times during the year. The terms of reference for the Nomination Committee are available on request and are on the Company's website at www.acalplc.co.uk.

Information and professional development

Papers are circulated in advance of Board and Committee meetings, and Directors are invited to request such further information as they may require, thereby ensuring that proper consideration can be given to all matters. Between meetings, Directors are kept abreast of progress by the circulation of monthly reports together with ad hoc meetings and briefings as and when required. A procedure is in place whereby Directors may have access to independent professional advice at the Company's expense and Directors have access to the advice and services of the Company Secretary. The appointment or removal of the Company Secretary would be a matter for the Board as a whole. An induction process is in place for any new Director joining the Board which includes meeting with the Group's senior management and visits to key locations as well as a comprehensive briefing pack.

Performance evaluation

During the year the Board repeated the process of evaluating its own performance, together with that of its Committees and individual Directors, including the Chairman. Each Director is asked to prepare an appraisal of each of these areas. The Chairman co-ordinates discussion with individual Directors on their performance and the Senior Independent Director co-ordinates discussion with the Chairman on the Chairman's performance. The results of the process are then summarised for presentation to and discussion by the Board and the actions to be taken (if any) are identified.

Election and re-election of directors

The Company's Articles of Association require that, at every Annual General Meeting, each Director who (a) was appointed since the previous Annual General Meeting or (b) was appointed or last re-appointed at or before the Annual General Meeting held at least three years before the current year or (c) being a Non-Executive Director, as at the date of the Meeting, has held office with the Company for a continuous period of nine years or more, must retire from office.

At the next Annual General Meeting of the Company, resolutions will be proposed for the election of Mr S M Gibbins and for the re-election of Mr E A Barton. Having taken into account the formal evaluation of their performance, the Board believes that each makes an effective contribution to the Board, demonstrates commitment to their role and can be recommended for election and re-election respectively. Biographical details are shown on page 4.

The level and make-up of directors' remuneration

The level and make-up of the Directors' remuneration is set out in the Directors' Remuneration Report. As this shows, a proportion of an Executive Director's overall remuneration is performance-related through annual bonus and share incentive schemes.

Procedure on board remuneration

The remuneration of Executive Directors is the responsibility of the Executive Directors' Remuneration Committee, as is more fully described in the Directors' Remuneration Report. The remuneration of the Non-Executive Directors is determined by the Non-Executive Directors' Remuneration Committee which consists of the Executive Directors. No Director is involved in deciding his own remuneration.

Financial reporting

The Directors have acknowledged in the Statement of Directors' Responsibilities their responsibility for preparing the financial statements of the Company and the Group. The Auditors have included in their report a statement of their responsibilities.

The Directors are also responsible for the publication of the interim report of the Group, covering the first six months of the year, which in their opinion provides a balanced and understandable assessment of the Group's financial performance and position. In accordance with the requirements of The Financial Services Authority's Disclosure Rules and Transparency Rules, the Directors also issue an Interim Management Statement twice in each financial year.

Internal controls

The Code includes a requirement that the Board maintains a sound system of internal control to safeguard shareholders' investment and the Company's assets. This requirement covers all controls including operational, compliance and risk management as well as financial controls. Formal guidance for Directors on internal controls was published by the Institute of Chartered Accountants in England & Wales in September 1999 and subsequently revised in October 2005 by The Financial Reporting Council, following which the Board approved a framework for the implementation of this guidance. The relevant procedures have been in place throughout the year ended 31 March 2011 and up to the date of this Annual Report.

The Board has overall responsibility for the Group's system of internal controls and for reviewing its effectiveness.

While no system of controls can provide absolute assurance against material misstatement or loss, the Group's system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In establishing and reviewing the system of internal controls, the Audit Committee, on behalf of the Board, has regard to the significance of the risks involved, the likelihood and severity of a loss being incurred and the costs of the relevant controls.

The foundation of the Group's system of internal controls is the value which it places on the quality and integrity of its employees. Its principal components are:
- a clearly defined organisation structure with short and clear reporting lines;
- an ongoing process for the identification, regular review and management of the principal risks and issues affecting the business, both at Group and operating levels;
- a regular review of the principal suppliers and customers of the Group, and how each impacts upon the Group's business;
- a comprehensive planning process which starts with a strategic plan and culminates in an annual budget and a long term plan;
- regular forecasting throughout the year of orders, sales, profitability, cash flow, working capital and balance sheets;
- a regular review of actual performance against budget and forecasts;
- clearly defined procedures for the authorisation of major new investments and commitments;
- a requirement for each operating company to maintain a system of internal controls appropriate to its own local business environment.

The Finance Department is responsible for ensuring that the process for producing financial information delivers accuracy and is in accordance with applicable laws and regulations. In addition, it is responsible for the timely distribution of financial information, both internally and externally. Key financial and operational performance is reported on a weekly and/or monthly basis and measured against both budget and rolling forecasts approved by the Board and/or management. A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published externally by the Group is approved by the Board.

In addition to the above, and on an annual basis, all operating companies undertake a comprehensive review of the effectiveness of their internal controls. The results of these reviews are then consolidated before being considered by the Audit Committee and the Board.

The above procedures encompass Acal plc and its subsidiary companies.

The Board receives regular submissions from management concerning the matters set out above and other matters relevant to internal controls and the identification, evaluation and management of risk. In addition, the Audit Committee, on behalf of the Board, has conducted a specific annual review of the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management systems. The Group has embedded internal control and risk management into the operations of the business and continues to deal with areas of improvement which come to the attention of management and the Board.

The Company has effective procedures in place to deal with conflict situations.

Audit committee and auditors

The Audit Committee is comprised of Mr E A Barton, who is the Chairman, together with Mr G J Williams and Mr I R Fraser. The Group Finance Director attends meetings although no Executive Director has a right of attendance. The Board is satisfied that the members of the Committee have recent and relevant financial experience. In addition, Mr G J Williams is a qualified chartered accountant.

The Committee is responsible for reviewing the scope and results of the audit, the accounting policies and systems of internal control of the Group as well as the effectiveness and cost-efficiency of the audit. In addition, it considers and monitors the independence and objectivity of the auditors as well as the extent of any non-audit services provided by the auditors and the need or otherwise for an internal audit function. The interim statement, the preliminary announcement of results and the annual financial statements are considered by the Audit Committee prior to their approval by the Board. The Chairman of the Audit Committee maintains direct communication with the external auditors, independently of the management of the Company.

The Audit Committee met three times during the year and its principal activities during the period included:
- a review of the interim and full year results;
- a review of the internal control and risk management systems of the Company;
- a review of the scope and results of the external audit;
- ensuring the continued independence and objectivity of the external auditors, including an understanding of the external auditors' own standards and procedures for maintaining their independence and reviewing the level of non-audit services provided by the auditors in order to ensure that these were not significant enough to prejudice their independence and objectivity;
- a review of the need for an internal audit function;
- reviewing the performance of the external auditors and making a recommendation as to their re-appointment;
- a review of arrangements whereby staff may raise, in confidence, any concern they may have about possible improprieties.

With regard to recommending the re-appointment of the external auditors, the Audit Committee has recommended that the Board presents a resolution to shareholders at the 2011 Annual General Meeting for the re-appointment of the external auditors. This followed an assessment of the quality of service provided, including the qualification of the external auditors, the expertise and resources made available to the Group, auditor independence and the effectiveness of the audit process. The decision was based on the consideration of reports issued by the external auditors and feedback from executive management.

Part of at least one Audit Committee meeting a year is held with only representatives from the external auditors present providing an opportunity for any concerns to be raised without executive management present.

The Chairman of the Audit Committee reports to the Board on any significant matters arising from the activities of the Committee.

Tax advice is provided by KPMG LLP, Deloitte LLP and PricewaterhouseCoopers LLP.

The Audit Committee has written terms of reference which are available on request and are on the Company's website at www.acalplc.co.uk.

Group executive committee

The Group Executive Committee is comprised of Mr N J Jefferies, who is the Chairman, together with Mr S M Gibbins, Mr P R Gruson, Mr M F Pangels, Mr P H Neville and Mr G P Shillinglaw, who is also the Secretary. For their biographies see page 16. During the year to 31 March 2011 the Committee met monthly, except in August and December. Other senior managers attend the Committee's meetings for specific topics.

The Committee is responsible for developing and implementing the Group's medium-term strategy and for driving its overall performance. The powers delegated to the Committee are contained in its written terms of reference which are available on request and are on the Company's website at www.acalplc.co.uk

Dialogue with institutional shareholders

The Board believes that it is an important part of its responsibilities to maintain effective and timely communications with the Company's shareholders and institutional investors. The Company's Annual Report includes a statement from the Chairman, plus reviews by the Group Chief Executive and by the Group Finance Director. At the half year an Interim Report is published.

Throughout the year meetings are held with institutional shareholders as well as stockbroking analysts. These meetings include discussion of governance and strategy as required. It is the responsibility of the Chairman to ensure that shareholder views are communicated to the Board as a whole. Investor relations information, as well as presentations and news releases, are made available on the Company's website (address: www.acalplc.co.uk). Members of the Board and the Chairmen of the Remuneration and Audit Committees are available at the Annual General Meeting to answer any questions. The Company responds to any questions from shareholders generally as they arise.

In order to ensure that members of the Board develop an understanding of the views of major shareholders about the Company, any feedback received by the Company from meetings with institutional shareholders and stockbroking analysts is discussed internally and raised with the Board, as appropriate. Periodically, the Company's stockbrokers and public relations advisers follow up meetings held with institutional investors and stockbroking analysts in order to try and obtain feedback on these meetings which may not have been provided directly to the Company. The results of such follow-up discussions are circulated to the Board.

Annual general meeting

The level of proxy voting, together with the number of votes cast for and against each resolution and abstention, will be made available at the AGM after voting is completed on a show of hands and will be published on the Company's website. A separate resolution has been presented on each substantially separate issue and the Chairman of each Board Committee will attend the AGM. The proxy form relating to the AGM includes an option for votes to be withheld. Notice of the Meeting will be sent to shareholders at least 20 working days before the Meeting.

Approval

This Board Report on Corporate Governance has been approved by the Board and signed on its behalf by

G P Shillinglaw
Group Company Secretary
1 June 2011

directors' remuneration report

This Report has been prepared in accordance with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the ABI Remuneration Guidelines. It also meets the relevant requirements of the Listing Rules of the UK Listing Authority and describes how the Board has applied the principles of Good Governance relating to the Directors' remuneration. As required by regulation, a resolution to approve the Report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

Unaudited information

Remuneration committee

The Remuneration Committee ("the Committee") comprises Mr G J Williams as Chairman of the Committee, Mr E A Barton, Mr R J Moon and Mr I R Fraser. For their biographies see page 4. The Committee determines the remuneration of Executive Directors on behalf of the Board. Pay and employment conditions elsewhere in the Group, and the Group's overall employment costs, are taken into account by the Committee in determining the remuneration packages for Executive Directors. The incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. The Committee held four formal meetings during the year to 31 March 2011, and its terms of reference are available on request.

The Committee takes advice from external consultants as and when it is deemed necessary. During the year under review the Committee took advice from PricewaterhouseCoopers LLP who they appointed for this purpose. Since the year end, PricewaterhouseCoopers LLP has also provided a tax specialist on secondment to the Company.

The remuneration of Executive Directors centres on ensuring that packages are sufficiently competitive in both fixed and variable terms to attract, retain and motivate senior management of the right calibre. To achieve this, it is necessary to provide packages that reflect individual experience and performance as well as taking account of remuneration paid by companies of similar size and complexity, operating internationally. The Committee has the discretion to consider corporate performance on environmental, social and governance issues when setting the remuneration of Executive Directors. The ability to recruit high quality staff in new and higher technology areas is critical to the Group's growth. The four main elements of the remuneration package for Executive Directors and senior management are:

- Basic annual salary and benefits
- Annual bonus payments (short-term incentives)
- Equity incentive schemes (long-term incentives)
- Pension arrangements

Each of the above is described in detail below.

Executive Directors may accept non-executive appointments outside the Company with the consent of the Board. The Board requires to be satisfied that the time commitment involved is consistent with the responsibilities of the relevant Executive Director. Where fees from such appointments are not required to be accounted for to the Company, the time commitment is taken into account in determining the Director's remuneration. None of the Executive Directors who served during the year held any non-executive appointments outside the Company.

The remuneration of the Non-Executive Directors is determined on behalf of the Board by the Non-Executive Directors' Remuneration Committee comprised of the Executive Directors. Fees paid to Non-Executive Directors are set out in the audited section below.

It is not envisaged that the Company's policy on Directors' remuneration for the year to 31 March 2012 will differ materially from that which applied during the year under review.

Salaries, fees and benefits

An Executive Director's basic salary is reviewed by the Committee prior to the beginning of each financial year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the role and responsibilities of the relevant Director as well as his experience and performance and, if considered necessary, takes appropriate external advice. In addition to basic salary, Executive Directors receive certain benefits-in-kind, principally comprising a car allowance, life assurance and private medical insurance.

Fees for Non-Executive Directors are determined by the Non-Executive Directors' Remuneration Committee having regard to fees paid to Non-Executive Directors in other similarly sized UK quoted companies, the time commitment and the responsibilities of the role. Non-Executive Directors cannot participate in any of the Company's share incentive schemes.

Short-term incentive arrangements

The Company's policy is that a substantial proportion of an Executive Director's overall remuneration should be performance-related. The Committee reviews and determines the financial objectives that must be met around the start of each financial year.

While the principal long-term measure of shareholder interests is total shareholder return, the Company believes that, for the purposes of determining annual bonuses, account has to be taken of those aspects of trading performance which senior management can influence by their actions. Thus, annual bonuses depend on specific targets including turnover and profit as well as the achievement of other non-financial objectives which may be relevant for the year in question. Bonus payments to Executive Directors are capped at a level agreed by the Remuneration Committee from time to time, currently 100% of basic salary.

Share incentive schemes

(a) Approved and unapproved executive share option schemes

The Group operates an approved and an unapproved executive share option scheme, the rules of which are similar in all material respects. These schemes were adopted by the Company in 1998 and are now closed to the grant of further options. The exercise of options under them is subject to the meeting of performance targets set by the Committee. Although there have been variations in numbers of options granted from year to year depending upon circumstances, it has always been Acal's policy to grant options to employees on a phased and regular basis and not in one block. However, at certain times, particularly when recruiting new people or to reward major achievements, it has been necessary to apply the policy flexibly. It has also been Acal's policy not to grant executive share options at a discount to market price.

The performance criterion that must be met before options can be exercised was determined when the two schemes were established. It requires that the growth in the Company's earnings per share in any three-year period before exercise must have exceeded the percentage increase in the Retail Price Index over the same period plus two per cent per annum. This criterion has been kept under review.

During the year to 31 March 2011, the Company adopted a new, approved share option scheme, known as the Acal plc 2010 Company Share Option Plan ("the CSOP"). On the grant of an option under the CSOP, the Committee may impose a performance target and any further condition on the exercise of an option that the Committee determines to be appropriate. For the CSOP options granted to date, their exercise is dependent upon the option holder's continued employment for a three-year holding period from the date of grant and the satisfaction by the Company of the same performance conditions over that period as currently apply to the release of an award under the Company's Long Term Incentive Plan (see (b) below).

(b) Long term incentive plan ("LTIP")

At the Annual General Meeting on 24 July 2008, shareholders approved the LTIP which involves a conditional award of shares on grant of a nil-cost option. In the opinion of the Committee, the LTIP provides a strong link between management performance and reward while encouraging key executives to build and maintain a shareholding.

In each year, Executive Directors and senior managers, selected by the Committee on the basis of such factors as their contribution to the Group's success, are eligible to receive an award of shares worth up to 150 per cent of base salary. Subject to this limitation, actual grant levels will be determined by the Committee.

The release of an award is dependent upon the individual's continued employment for a three-year holding period from the date of grant and the satisfaction by the Company of certain performance conditions over that period as follows:

- 50% of the award is based on the Company's comparative total shareholder return against a comparator group made up of the constituents of the FTSE Small Cap Index with vesting as follows: Median = 25% vesting; Upper Quartile = 100% vesting; and
- 50% of the award is based on the Company's absolute total shareholder return as measured against the Retail Price Index ("RPI") with vesting as follows: RPI + 15% = 25% vesting; RPI + 30% =100% vesting.

These performance conditions are kept under review by the Committee to ensure that they are supportive of the Company's strategy. Therefore, they may be subject to change for future grants to better reflect this strategy. Any change might require prior consultation with the Company's major shareholders.

Special award: Mr N J Jefferies

Movements in Mr Jefferies's option holding under his special award (details below) during the year were as follows:

Number held at 01.04.10	Granted	Movements during the year Exercised	Lapsed	Number held at 31.03.11	Date of grant	Exercise price (nil-cost option)	When exercisable
620,498	–	–	–	620,498	March 2009	–	April 2012 to March 2019

On 31 March 2009, Mr Jefferies was granted an award in the form of a nil-cost option over 620,498 shares in the Company. The Company agreed as a condition of Mr Jefferies accepting the appointment of Group Chief Executive on 25 November 2008 to grant him an award over the Company's shares having a market value equivalent to 200% of his base salary at the date of the grant. The number of shares under the award was determined using a share price of 90.25 pence per share being the closing price of the Company's shares on 30 March 2009, the last business day prior to the date of grant.

Mr Jefferies's award was made under LR9.4.2(2) of the Listing Rules in order to facilitate his appointment as Group Chief Executive. The Board considered that it was important to the success of the recruitment process, and to maximise shareholder value going forward, to make such an award to him. Mr Jefferies's award is on similar terms to awards granted under the Acal plc 2008 Long Term Incentive Plan (the "LTIP") (see "Share incentive schemes" above). The award will become exercisable between April 2012 and March 2019 dependent upon certain performance conditions being achieved by the Company during the three-year holding period ending on 31 March 2012.

The award differs in three main respects from similar awards under the LTIP. First, if there is a change of control of the Company before the end of the three-year holding period mentioned above, the award will become exercisable immediately. In such event, the number of shares available for exercise will not be pro-rated for time and the satisfaction by the Company of performance conditions will not apply. Second, the award is in respect of shares with a value of 200% of base salary on the date of grant. The maximum value of awards permitted under the LTIP is 150% of base salary each financial year. Third, 100% of the award is based on the Company's comparative total shareholder return against a comparator group made up of the FTSE Small Cap Index. The Board considers that this properly reflects a good measure of the Company's performance over the three-year holding period.

Special award: Mr S M Gibbins

On 20 July 2010, Mr Gibbins was granted an award in the form of a nil-cost option over 179,447 shares in the Company. The Company agreed as a condition of Mr Gibbins accepting the appointment of Group Finance Director on 10 June 2010 to grant him an award over the Company's shares having a market value equivalent to 150% of his base salary at the date of the grant. The number of shares under the award was determined using a share price of 163 pence per share being the closing price of the Company's shares on 19 July 2010, the last business day prior to the date of grant.

Mr Gibbins's award is on similar terms to awards granted under the Acal plc 2008 Long Term Incentive Plan (the "LTIP") (see "Share incentive schemes" above). The award will become exercisable between July 2013 and July 2020 dependent upon certain performance conditions being achieved by the Company during the three-year holding period ending on 20 July 2013.

The award differs in one main respect from similar awards under the LTIP. If there is a change of control of the Company before the end of the three-year holding period mentioned above, the award will become exercisable immediately. In such event, the number of shares available for exercise will not be pro-rated for time and the satisfaction by the Company of performance conditions will not apply.

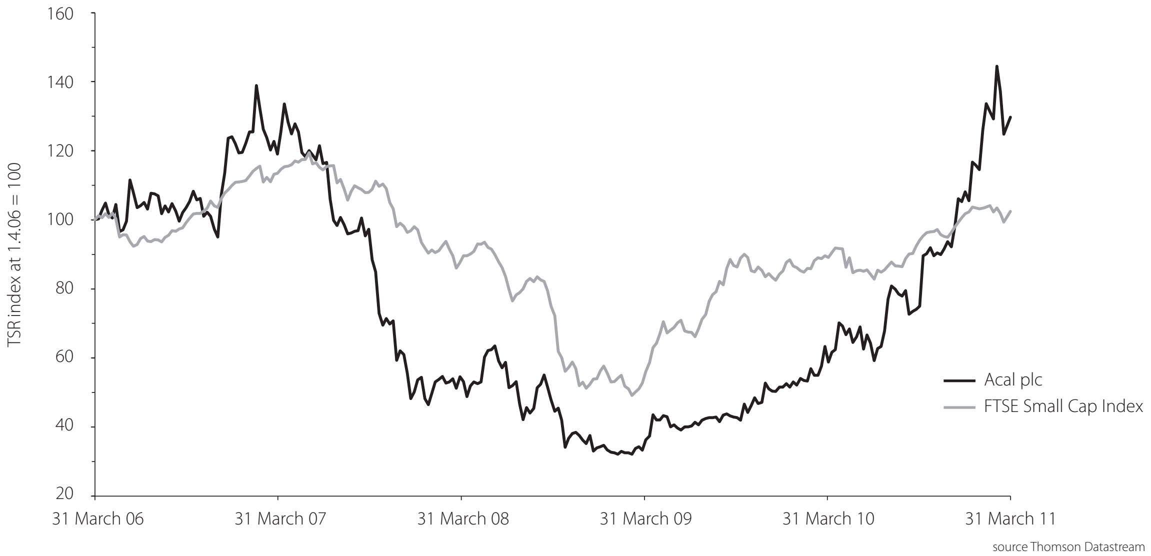
Pension arrangements

The Group's pension scheme is a defined contribution (money purchase) scheme. Members are required to contribute at a minimum rate of 2.5% of contributory salary (i.e. basic salary plus bonuses, overtime and other fluctuating payments) but can pay at a higher rate in 0.5% steps. The Company's contribution depends upon the level of contribution the member has chosen to pay but is capped at 6.5% of contributory salary. In accordance with best practice, no fluctuating payments made to the Executive Directors and to the other members of the Group Executive Committee are pensionable.

Performance graph

The following graph compares the Company's performance, measured by total shareholder return, with the performance of the FTSE Small Cap Index also measured by total shareholder return. Total shareholder return measures share price growth with dividends deemed to be reinvested gross on the ex-dividend date and the data points are shown using a moving one-month average. Although Acal plc is not currently a member of the FTSE Small Cap Index, it is considered to be a reasonable comparator in terms of the Company's size and its share liquidity.

Total shareholder return for period 1 April 2006 to 31 March 2011



Directors' contracts

It is the Company's policy that Executive Directors should have service contracts incorporating a maximum notice period of one year. However, it may be necessary occasionally to apply this policy flexibly and offer longer initial notice periods to new Directors. Under the terms of their service contracts, any termination payments are not pre-determined but are determined in accordance with the Director's contractual rights taking account of the circumstances and the Director's duty to mitigate loss. The Company's objective is to protect itself from exposure to the risk of a termination payment in the event of failure.

Mr N J Jefferies has a service contract with a company within the Acal Group dated 26 November 2008 incorporating a notice period of one year on a rolling basis. Mr S M Gibbins has a service contract with a company within the Acal Group dated 10 June 2010 incorporating a notice period of one year on a rolling basis. The following letters of appointment are in place in relation to the Chairman and Non-Executive Directors:

(i) An agreement with Synergie Business Limited for the provision of the services of Mr R J Moon dated 31 March 2005 which expires on 31 March 2012 and which may be terminated by six months' notice.
(ii) An agreement with Mr E A Barton for his services dated 18 July 2002 which expires on 30 June 2012 and which may be terminated by three months' notice.
(iii) An agreement with Mr G J Williams for his services dated 29 September 2003 which expires on 30 June 2012 and which may be terminated by three months' notice.
(iv) An agreement with Mr I R Fraser for his services dated 1 October 2009 which expires on 31 December 2011 and which may be terminated earlier.

Other than their service contracts, no contract of significance to which any member of the Acal Group is a party and in which a Director is or was materially interested, subsisted at the end of, or during, the year.

Directors' interests

The interests of the Directors who held office as at 31 March 2011 (including family interests) in the shares of the Company were as follows:

	At 31 March 2011 Ordinary shares (5p) fully paid		At 31 March 2010 Ordinary shares (5p) fully paid	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
N J Jefferies	**31,672**	**–**	15,492	–
S M Gibbins	**–**	**–**	–	–
R J Moon	**65,100**	**–**	65,100	–
E A Barton	**21,000**	**–**	21,000	–
G J Williams	**1,000**	**–**	1,000	–
I R Fraser	**–**	**–**	–	–

The interests of Directors in the shares of the Company at 1 June 2011 are unchanged from those at 31 March 2011.

Audited information

The total amounts for Directors' remuneration were as follows:

	2011 £	2010 £
Fees	**199,000**	169,000
Salary and benefits	**434,532**	427,717
Performance-related bonuses	**–**	–
Other	**–**	–
Money purchase pension contributions	**28,487**	29,780
Termination payment	**–**	105,000
Compensation for loss of office or employment	**–**	145,114
	662,019	876,611

Details of the remuneration of Directors who served during the years ended 31 March 2011 and 31 March 2010 are as follows:

	Salary or fees £	Bonus £	Other £	Benefits £	Termination payment £	Total emoluments 2011 £	Total emoluments 2010 £	Pension contribution 2011 £	Pension contribution 2010 £
Executive Directors									
N J Jefferies	289,000	280,000	–	1,501	–	**570,501**	269,536	**19,600**	19,600
S M Gibbins[1]	141,090	136,724	–	2,941	–	**280,755**	–	**8,887**	–
M H Cooper[2]	–	–	–	–	–	**–**	231,546	**–**	8,277
S C Sydes[3]	–	–	–	–	–	**–**	31,635	**–**	1,903
A J Laughton[4]	–	–	–	–	–	**–**	145,114	**–**	–
Non-Executive Directors									
R J Moon	101,000	–	–	–	–	**101,000**	101,000	**–**	–
E A Barton	35,000	–	–	–	–	**35,000**	31,250	**–**	–
G J Williams	33,000	–	–	–	–	**33,000**	29,250	**–**	–
I R Fraser	30,000	–	–	–	–	**30,000**	7,500	**–**	–
	629,090	416,724	–	4,442	–	**1,050,256**	846,831	**28,487**	29,780

1 Appointed a Director on 20 July 2010.
2 Left the Company and the Board on 2 February 2010. Total emoluments include a termination payment of £105,000.
3 Left the Company and the Board on 5 June 2009.
4 Left the Company and the Board on 24 July 2008 but, in accordance with the terms of his service contract dated 21 March 2002, remained employed by the Company until 24 July 2009. A legal claim brought by him against the Company was withdrawn on 11 August 2009 and a settlement reached.

Of the Directors who held office as at 31 March 2011, Mr N J Jefferies was the highest paid Director during the year under review (2010: Mr N J Jefferies).

No Director made any gain on the exercise of share options during the year under review, or in the previous year.

Acal plc executive share option schemes ("the Schemes")

The performance criteria for the Schemes are disclosed in this Report on page 30. Movements in the Directors' holdings of options under the Schemes during the year under review were all related to the Acal plc 2010 Company Share Option Plan ("the CSOP") and were as follows:

Director	Number held at 1.04.10	Granted	Movements during the year Exercised	Lapsed	Number held at 31.03.11	Date of grant	Exercise price	When exercisable
N J Jefferies	–	14,705	–	–	14,705	Sept 2010	204.0p	Sept 2013
S M Gibbins	–	9,090	–	–	9,090	Mar 2011	330.0p	Apr 2014

Acal plc 2008 long term incentive plan ("the LTIP")

The performance criteria for the LTIP are disclosed in this Report on page 30. Movements in the Directors' holding of options under the LTIP during the year were as follows:

Director	Number held at 1.04.10	Granted	Movements during the year Exercised	Lapsed	Number held at 31.03.11*	Date of grant	Exercise price (nil-cost option)	When exercisable
N J Jefferies	269,230	–	–	–	269,230	Mar 2010	–	Mar 2013 to Mar 2020
N J Jefferies	–	131,818	–	–	131,818	Mar 2011	–	Mar 2014 to Mar 2021
S M Gibbins	–	54,545	–	–	54,545	Mar 2011	–	Mar 2014 to Mar 2021

*Mr Jefferies and Mr Gibbins also hold options over 14,705 and 9,090 shares respectively granted under the CSOP. If they exercise these CSOP options, the value of their LTIP shares will be reduced by an amount equal to the gain on their CSOP options.

The market price of the shares at 31 March 2011 was 342.0p and the range during the year ended on that date was 147.5p to 367.0p. The performance conditions in relation to the Schemes and to the LTIP are described in the unaudited section of the Report above.

Approval

This Directors' Remuneration Report has been prepared on behalf of and approved by the Board and signed on its behalf by

G P Shillinglaw
Group Company Secretary
1 June 2011

corporate social responsibility

While the management of Acal is primarily accountable to its shareholders, in managing the business it takes into account all stakeholders in Acal including employees, customers and suppliers, as well as the local communities and environment in which it operates. In a balanced way, without unnecessarily restricting the optimisation of returns, it endeavours to identify and manage any risks to the value of Acal's business from social, environmental and ethical matters, and to take any opportunities presented by a sensible and considerate approach to such matters to enhance shareholder value. The Board of Acal has adopted policies in relation to corporate social matters that take into account the interests of the Group's employees; the need to foster business relationships with suppliers, customers and others; the impact of the Group's operations on the community and the environment; and the desirability of the Group maintaining a reputation for high standards of business conduct. Day-to-day responsibility for implementation of these policies is delegated to the management of Acal's operating companies. In implementing these policies the Group endeavours to ensure that the cost of managing risks is proportionate to their significance to Acal and its business partners. More specifically, Acal's policies cover the following:

General

Management at all levels in the organisation is committed to taking account of its corporate social responsibility in its actions and endeavours to show due respect for human rights and works to high standards of integrity and ethical propriety. As an international organisation, Acal takes account of cultural differences between the various territories in which it operates.

Employees, health and safety

Acal provides equal opportunities to all employees and prospective employees, and does not discriminate on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation.

Clear and fair terms of employment, as well as a fair and competitive remuneration policy, are put in place. Employees are encouraged to develop their knowledge and skills and to progress their careers to the mutual benefit of themselves and the companies they work for. It is the responsibility of management to ensure that they comply with all local regulations, including those relating to the employment of underage staff. Local business units are responsible for developing and implementing effective arrangements for employee communication.

A great deal of importance is attached to the provision of clean, healthy and safe working conditions. In addition to compliance with all local regulations, Acal promotes working practices which protect the health and safety of its employees and other persons who come onto its premises. The Group endeavours to protect employees from, and does not tolerate, any sexual, physical or mental harassment. Heath and safety matters are kept under regular review by local management and at Group level. The Group's statement of intent on health and safety matters can be found on its website (www.acalplc.co.uk).

The Group operates a 'whistle-blowing' policy whereby employees may report in confidence any suspected wrongdoing. This policy can be found on its website (www.acalplc.co.uk).

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Business ethics

All Acal Group companies seek to be honest, fair and competitive in their relationships with customers and suppliers. Every attempt is made to ensure that products and services are provided to the agreed standards and all reasonable steps are taken to ensure the safety and quality of the goods and services provided. Payment is made to suppliers in accordance with the agreed terms, the relevant goods or services having been satisfactorily delivered. It is Acal's policy that no one in the Group should offer or accept any bribes or other corrupt payments, engage in any anti-competitive practices or knowingly be involved in any fraud or money laundering.

So far as it is able to, and taking into account local cultural and regulatory differences, Acal encourages the organisations and people with whom it does business to abide by principles of good practice in relation to their corporate social responsibility.

The Group's statement of intent on business ethics can be found on its website (www.acalplc.co.uk).

Community and environment

Community and environmental matters are important to the Group because it is sensitive to the local community's cultural, social and economic needs. It seeks to ensure that its activities do not harm the communities as places in which to work and live. The Group endeavours to ensure that its operations do not have a negative impact on the environment. Apart from compliance with all local environmental regulations, Group companies try earnestly to promote the effective management of natural resources and encourage energy efficiency as well as waste minimisation and recycling where economically viable means of doing so are available. Although the vast majority of products Acal deals with are non-hazardous, where such products are involved it minimises the environmental risks by use of appropriate labelling and technical information in conjunction with proper training and procedures for the handling, storage and disposal of such products. The Group has implemented procedures to ensure compliance with the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment Regulations 2004 (RoHS), the Waste Electrical and Electronic Equipment Regulations 2006 (WEEE), the Producer Responsibility Obligations (Packaging Waste) Regulations 2005 and the Waste Batteries and Accumulators Regulations 2009.

statement of directors' responsibilities

United Kingdom company law requires the Directors to prepare the Annual Report and financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss and cash flows of the Group for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- use the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

To the best of the knowledge and belief of the Directors:

- 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 Acal plc and the undertakings included in the consolidation taken as a whole; and
- the management reports include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006, and for the Group, Article 4 of the IAS Regulations. 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.

Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 21 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 17 to 19. In addition note 27 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources, well established distribution contracts with a number of suppliers and a broad and stable customer base. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite any uncertain economic conditions.

After making due 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.

This statement is made in accordance with the Financial Reporting Council's Going Concern Guidance.

acal plc

group financial statements for the year ended 31 march 2011

report of the auditors

Independent auditor's report to the members of Acal plc

We have audited the group financial statements of Acal plc for the year ended 31 March 2011 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 35, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- 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 Board report on Corporate Governance 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:

- 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 Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 35, in relation to going concern; and
- the part of the Board report on Corporate Governance relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Acal plc for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andy Glover (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 June 2011

Notes:

1. The maintenance and integrity of the Acal plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

consolidated income statement

for the year ended 31 March 2011

	notes	2011 £m	2010 £m
Revenue	4	**264.8**	181.6
Cost of sales		**(189.6)**	(131.5)
Gross profit		**75.2**	50.1
Selling and distribution costs		**(39.1)**	(28.4)
Administrative expenses (including exceptional items)	6	**(33.2)**	(27.2)
Other operating expenses	6	**(0.4)**	–
Operating profit/(loss)	7	**2.5**	(5.5)
Finance costs	9	**(0.9)**	(1.2)
Finance revenue	9	**0.3**	0.4
Profit/(loss) before tax		**1.9**	(6.3)
Taxation	10	**(0.2)**	(0.3)
Profit/(loss) after taxation for the year		**1.7**	(6.6)
Earnings/(loss) per share	14		
Basic		**6.0p**	(24.5)p
Diluted		**5.7p**	(24.5)p

supplementary income statement information

Underlying performance measure	notes	2011 £m	2010 £m
Operating profit/(loss)	7	**2.5**	(5.5)
Add: Exceptional items	6	**4.4**	4.7
Earn out remuneration		**0.2**	–
Amortisation of acquired intangibles		**0.3**	0.1
Underlying operating profit/(loss)		**7.4**	(0.7)
Profit/(loss) before tax		**1.9**	(6.3)
Add: Exceptional items	6	**4.4**	4.7
Earn out remuneration		**0.2**	–
Amortisation of acquired intangibles		**0.3**	0.1
IAS 19 charge for pension finance cost		**0.3**	0.6
Underlying profit/(loss) before tax		**7.1**	(0.9)
Underlying earnings/(loss) per share	14		
Basic		**19.3p**	(6.3)p
Diluted		**18.6p**	(6.3)p

The results for the year and prior year relate wholly to continuing operations.

consolidated statement of comprehensive income

for the year ended 31 March 2011

	notes	**2011 £m**	2010 £m
Profit/(loss) for the year		**1.7**	(6.6)
Actuarial loss on defined benefit pension scheme	33	**(0.4)**	(0.5)
Deferred tax relating to pension scheme	10	**(0.2)**	0.1
Foreign currency translation differences		**(0.1)**	(0.6)
Other comprehensive loss for the year net of tax		**(0.7)**	(1.0)
Total comprehensive profit/(loss) for the year net of tax		**1.0**	(7.6)

consolidated statement of financial position

at 31 March 2011

	notes	2011 £m	2010 £m
Non-current assets			
Property, plant and equipment	15	**3.8**	3.9
Intangible assets – goodwill	16	**17.4**	13.9
Intangible assets – other	18	**3.7**	2.1
Deferred tax assets	10	**2.8**	2.7
		27.7	22.6
Current assets			
Inventories	20	**25.3**	23.7
Trade and other receivables	21	**59.3**	53.7
Current tax assets		**0.1**	0.2
Cash and cash equivalents	22	**13.6**	17.3
		98.3	94.9
Total assets		**126.0**	117.5
Current liabilities			
Trade and other payables	29	**(51.6)**	(46.1)
Short-term borrowings	23	**(5.1)**	(3.4)
Current tax liabilities		**(4.3)**	(2.9)
Provisions	26	**(2.9)**	(4.2)
		(63.9)	(56.6)
Non-current liabilities			
Long-term borrowings	23	**(1.8)**	–
Pension liability	33	**(5.5)**	(5.5)
Deferred tax liabilities	10	**(0.2)**	(0.2)
Provisions	26	**(3.3)**	(3.3)
		(10.8)	(9.0)
Total liabilities		**(74.7)**	(65.6)
Net assets		**51.3**	51.9
Equity			
Share capital	30	**1.4**	1.4
Share premium		**40.7**	40.6
Merger reserve		**3.0**	3.0
Currency translation reserve		**2.8**	2.9
Retained earnings		**3.4**	4.0
Total equity		**51.3**	51.9

These financial statements were approved by the Board of Directors on 1 June 2011 and signed on its behalf by:

N J Jefferies
Chief Executive

S M Gibbins
Finance Director

consolidated statement of changes in equity

for the year ended 31 March 2011

	Share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m	Non controlling interests £m	Total equity £m
	Equity attributable to equity holders of the Company							
At 1 April 2009	**1.3**	**38.0**	**3.0**	**3.5**	**12.4**	**58.2**	**0.4**	**58.6**
Loss for the year	–	–	–	–	(6.6)	(6.6)	–	(6.6)
Other comprehensive income	–	–	–	(0.6)	(0.4)	(1.0)	–	(1.0)
Total comprehensive income	–	–	–	(0.6)	(7.0)	(7.6)	–	(7.6)
Share based payment transactions	–	–	–	–	0.2	0.2	–	0.2
Acquisition of non controlling interests	–	–	–	–	–	–	(0.4)	(0.4)
Issue of share capital	0.1	2.6	–	–	–	2.7	–	2.7
Equity dividends	–	–	–	–	(1.6)	(1.6)	–	(1.6)
At 31 March 2010	**1.4**	**40.6**	**3.0**	**2.9**	**4.0**	**51.9**	**–**	**51.9**
Profit for the year	–	–	–	–	1.7	1.7	–	1.7
Other comprehensive income	–	–	–	(0.1)	(0.6)	(0.7)	–	(0.7)
Total comprehensive income	–	–	–	(0.1)	1.1	1.0	–	1.0
Share based payment transactions	–	–	–	–	0.3	0.3	–	0.3
Issue of share capital	–	0.1	–	–	–	0.1	–	0.1
Equity dividends	–	–	–	–	(2.0)	(2.0)	–	(2.0)
At 31 March 2011	**1.4**	**40.7**	**3.0**	**2.8**	**3.4**	**51.3**	**–**	**51.3**

Nature and purpose of other reserves:

Merger reserve

The merger reserve arose as a consequence of the acquisition in 1987 of Centre Industries Limited and Acal Auriema Limited.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and other foreign currency investments.

consolidated cash flow statement

for the year ended 31 March 2011

	notes	2011 £m	2010 £m
Net cash flows from operating activities	25	**0.4**	1.5
Cash flows from investing activities			
Acquisition of shares in subsidiaries	11	**(5.2)**	(11.7)
Net cash/(debt) acquired with subsidiaries	11	**0.9**	(1.0)
Disposal of shares in subsidiaries (net of disposal costs)	12	**0.6**	–
Proceeds from sale of other financial assets		**–**	1.0
Revision to proceeds from sale of business		**(0.7)**	–
Purchases of property, plant and equipment		**(1.1)**	(0.7)
Proceeds from sale of property, plant and equipment and intangibles		**–**	1.4
Purchase of intangible assets – software		**(0.2)**	(0.4)
Interest received		**0.3**	0.4
Net cash outflow from investing activities		**(5.4)**	(11.0)
Cash flows from financing activities			
Proceeds from issuance of shares		**0.1**	–
Increase/(decrease) in borrowings		**2.6**	(0.2)
Dividends paid to company's shareholders	13	**(2.0)**	(1.6)
Net cash inflow/(outflow) from financing activities		**0.7**	(1.8)
Net decrease in cash and cash equivalents		**(4.3)**	(11.3)
Cash and cash equivalents at 1 April		**13.9**	24.8
Effect of exchange rate fluctuations		**(0.2)**	0.4
Cash and cash equivalents at 31 March		**9.4**	13.9
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		**9.4**	13.9
Add back overdrafts		**4.2**	3.4
Cash and cash equivalents shown within current assets in the balance sheet	22	**13.6**	17.3

notes to the group financial statements

1 authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Acal plc for the year ended 31 March 2011 were authorised for issue by the Board of Directors on 1 June 2011. Acal plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The format of the consolidated income statement has been changed from prior years to simplify the presentation and aid the users of the accounts. Exceptional items are now included within the appropriate income or expense category and a reconciliation is provided to arrive at the underlying performance measures used by the Directors. Further information relating to underlying performance measures is provided in note 2.

The significant accounting policies adopted by the Group are set out in note 2.

2 accounting policies

Basis of preparation

The consolidated financial statements of Acal plc and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted for use in the European Union.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated.

Comparative numbers have been restated for the completion of the purchase price allocation in relation to the acquisition of BFi Optilas. Further detail is provided in note 11.

Basis of consolidation

The Group's financial statements consolidate the financial statements of Acal plc, entities controlled by the Company (its subsidiaries) and include the Group's share of the results of associates.

Subsidiaries and associates

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

An associate is an undertaking in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power and the ability to participate in its financial and operating policy decisions, but not control or joint control of those decisions.

Acal's investments in its associates are accounted for under the equity method of accounting. Under the equity method, investments in associates are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value.

Non controlling interests

Non controlling interests represent the interests of non-Group shareholders in subsidiaries not wholly owned by the Group. Non controlling interests are presented within equity in the Group balance sheet, separately from the parent shareholders' equity.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as at 1 April 2010:

IFRS 3 (revised), 'Business combinations' applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Amongst other changes, the revisions effected by the new standard require subsequent changes in the fair value of contingent consideration payable in respect of an acquisition to be recognised in the income statement rather than against goodwill, and require transaction costs attributable to an acquisition to be recognised immediately in the income statement. These changes have been applied for acquisitions during the year.

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction.

IFRIC 14 addresses three issues:

- how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognise as an asset
- how a minimum funding requirement affects that limit and
- when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19.

Following adoption of IFRIC 14 the Group has recognised a liability as a result of the minimum funding requirement creating an onerous IAS 19 obligation.

2 accounting policies continued

IAS 27 (amended) 'Consolidated and Separate Financial Statements' and IFRS 2 (amended) 'Group Cash-settled Share-based Payment Transactions' are both effective in this financial year however neither of these amendments had any impact on the financial position or performance of the Group.

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 Strategic and Operational Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

The Group has considerable financial resources, well established distribution contracts with a number of suppliers and a broad and stable customer base. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

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.

Underlying profits and earnings

The Group uses a number of alternative (non Generally Accepted Accounting Practice ("non GAAP") financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures. The following non GAAP measures are referred to in this Annual Report:

Underlying operating profit/(loss)

"Underlying operating profit/(loss)" is defined as operating profit/(loss) excluding exceptional items, earn out remuneration and amortisation of acquired intangibles.

Underlying profit/(loss) before tax

"Underlying profit/(loss) before tax" is defined as profit/(loss) before tax excluding exceptional items, earn out remuneration, amortisation of acquired intangibles and IAS 19 pension finance charge.

Underlying effective tax rate

"Underlying effective tax rate" is defined as the effective tax rate on profit/(loss) before tax excluding the impact of tax on exceptional items, earn out remuneration, amortisation of acquired intangibles and IAS 19 pension finance charge.

Underlying earnings/(loss) per share

"Underlying earnings/(loss) per share" is calculated as the total of underlying profit/(loss) before tax reduced by the underlying effective tax rate, divided by the weighted average number of ordinary shares (for diluted earnings per share purposes) in issue during the period.

Underlying operating cash flow

"Underlying operating cash flow" is defined as underlying operating profit/(loss) with depreciation, amortisation and equity settled share based payment s expense added back.

Like for like basis

Reference to 'like for like' basis included in the Chairman's statement, Strategic and Operational review and Finance review, means including acquisitions for the whole of the comparative period, excluding the ATM Parts business (effective disposal date 30 September 2010), a material non-core Supply Chain contract terminated at the end of the last financial year and Compotron which was acquired in January 2011, and at constant exchange rates.

Business combinations and goodwill

Business combination since 1 April 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

2 accounting policies continued

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Business combination prior to 1 April 2010

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Goodwill represents the excess of the cost of the business combination over the fair value of the Group's share of the identifiable assets less liabilities and contingent liabilities of the acquired entity at the date of acquisition.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, goodwill acquired is recognised as an asset and is allocated to each of the cash generating units expected to benefit from the combination's synergies. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of the related cash generating units monitored by management. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised immediately in profit or loss and is not subsequently reversed. Goodwill arising on the acquisition of associates is included within the carrying value of the investment.

Any intangible assets acquired as part of a business combination are recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before 1 April 2004 (the date of transition to IFRS) has been retained at the previous UK GAAP amounts having been tested for impairment at that date.

Intangible assets – software

Implementation costs of IT systems, and computer software, are amortised on a straight-line basis over their estimated useful lives at rates of 12.5-33% per annum. Software is assessed for impairment in accordance with IAS 36, Impairment of Assets, when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis to write off the cost, less residual value, over the estimated useful life of the asset at the following rates:

Freehold land	nil
Freehold buildings	2-3% per annum
Leasehold improvement costs	10-20% per annum or over the life of the lease
Plant, equipment and IT hardware	10-33% per annum

All property, plant and equipment assets are reviewed for impairment in accordance with IAS 36, Impairment of Assets, when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Impairment of assets

At each balance sheet date, the Group reviews the carrying value of its assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, or when annual testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised in the income statement. Impairment charge recognised on goodwill is not reversed.

2 accounting policies continued

Financial assets

Investments are initially recognised at cost, being the fair value of the consideration given and including directly attributable transaction costs associated with the investment.

After initial recognition, investments in equity shares are treated as available for sale financial assets and are measured at their fair value with any gains or losses recognised in equity. When the investment is derecognised or impaired, the cumulative gain or loss previously reported in equity is included in the income statement.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably valued are measured at cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Financial assets are assessed for impairment in accordance with IAS 39, Financial instruments: Recognition and Measurement, when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Inventories

Inventories comprise goods held for resale and are stated at the lower of weighted average cost and net realisable value after making allowance for any obsolete or slow moving items. Cost includes inward carriage incurred.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The decision to make a provision for doubtful debts is determined by using profiles, based on past practice in addition to assessment of the credit worthiness of each customer and related aging of overdue balances. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Borrowings

Borrowings are initially recognised at fair value net of any associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the income statement using the effective interest rate method.

Provisions

Provisions for warranties, onerous contracts and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. In relation to provision for onerous contracts an assessment is made for impairment of any related assets.

Provisions are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Exceptional items

The Group discloses as exceptional items those items which are exceptional by virtue of their size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes the profit or loss on disposal of property, investments or businesses and other financial assets, impairments and significant restructuring and integration charges or credits in exceptional items.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the income statement.

Currency gains and losses arising from the retranslation of the opening net assets of foreign operations are recorded as a movement on reserves, net of tax. The differences that arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate currency translation reserve. All other currency gains and losses are dealt with in the income statement.

Revenue recognition

Revenue represents the invoiced value of goods, commission and other services provided to third parties, after deducting discounts, VAT and similar taxes levied overseas. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In particular:

a Revenue from the sale of products is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to customers.

2 accounting policies continued

b Revenue from maintenance and outsourcing contracts is recognised over the life of the contract reflecting performance of the contractual obligations to the customer.
c Interest income is recognised as the interest accrues using the effective interest method.
d Dividend income is recognised when the shareholders' right to receive the payment is established.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board.

Dividends

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when approved by the shareholders in general meeting, and in relation to interim dividends, when paid.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with the effective interest rate method.

Pensions

Payments to defined contribution schemes are charged as an expense as they fall due.

In respect of defined benefit pension schemes, the obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognised past service cost, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Comprehensive Income.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, calculated using an option pricing model, and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of non-market vesting conditions.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

The Group has taken advantage of the exemption permitted under IFRS 1 in respect of equity-settled awards and IFRS 2 has only been applied to options awarded on or after 7 November 2002 that had not vested before 1 January 2005.

The cost of cash-settled transactions is measured initially at fair value at the grant date using a predicted future value model. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to a fair value at each balance sheet date up to and including the settlement date, with changes in fair value recognised in the income statement.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2 accounting policies continued

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Derivative financial instruments

The Group principally uses forward currency contracts to hedge risks associated with foreign currency fluctuations.

Forward currency contracts covering assets and liabilities are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For those derivatives designated as hedges and for which hedge accounting is required, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. Any amounts previously recognised in equity remain in equity until the forecast transaction occurs. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity or as an asset or liability are transferred to profit or loss.

Significant accounting judgements and estimates

Estimation uncertainty

Key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The most significant areas in which assumptions are made and estimates used are in determining:

Goodwill impairment

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated on page 44 to 45. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 17).

The quantification of provisions

Judgement is used in determining the value of provisions carried. For onerous contracts this is primarily based around assumptions on rent and property related costs for the period the property is vacant and then assumptions over future rental incomes or potential reverse lease premiums paid. Other provisions are estimated based on factors such as historical experience and expectations of future events that management believe to be reasonable. Note 26 provides details of the value of the provision carried.

Fair value of assets acquired in a business combination

Judgements and estimates are required in the identification of separable assets and liabilities upon acquisition, particularly in the case of the valuation and identification of intangible assets such as brand, supplier contracts and customer databases. Note 11 provides details of business combinations in the current year.

Retirement benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations. Note 33 details the actuarial assumptions used in determining the carrying amount at 31 March 2011.

Taxation

The Group operates in a number of tax jurisdictions around the world. Tax regulations generally are complex and in some jurisdictions agreeing tax liabilities with local tax authorities can take several years. Consequently, at the balance sheet date tax liabilities and assets are based on management's best estimate of the future amounts that will be settled. While the Group aims to ensure that the estimates recorded are accurate, the actual amounts could be different from those expected.

3 new accounting standards and financial reporting requirements

New standards and interpretations not applied

The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, become effective after the current year end and have not been early adopted by the Group:

International Accounting Standards (IAS/IFRS/IFRIC)		effective date
IAS 24	Related Party Disclosures Amendment	1 January 2011
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
IFRIC 14	Prepayments of a minimum funding requirement Amendment	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities and Equity Instruments	1 July 2010
	Improvements to IFRS (issued May 2010)	1 January 2012
IAS 12 (A)	Amendment to IAS12 – Recovery of Underlying Assets	1 January 2013
IFRS 10	IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

The Directors do not anticipate that the adoption of theses standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

4 revenue

An analysis of the Group's revenue is as follows:

	2011 £m	2010 £m
Sale of goods	**255.1**	173.5
Rendering of services	**9.7**	8.1
Total revenue	**264.8**	181.6

5 operating segment information

For management purposes, the Group is organised into three business units based on their products and services and has three reportable operating segments as follows:

- Electronics – specialist distribution of electronic and photonic products to industrial manufacturing and design companies.
- Supply Chain – service parts, inventory optimisation and outsource solutions to leading IT service providers.
- Medical – supply of advanced medical equipment to public and private healthcare providers.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is reported and evaluated based on operating profit or loss earned by each segment without allocation of central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. There are immaterial sales between business segments.

Segment revenue and results

2011	Electronics £m	Supply Chain £m	Medical £m	Unallocated £m	Total operations £m
Revenue	**202.8**	**54.3**	**7.7**	**–**	**264.8**
Result					
Underlying operating profit/(loss)	9.1	1.2	1.2	(4.1)	7.4
Exceptional items – integration restructuring	(3.6)	–	–	–	(3.6)
Exceptional items – other restructuring	–	(0.6)	–	(0.2)	(0.8)
Exceptional items – write back of unutilised provisions for retained obligations	–	–	–	0.6	0.6
Exceptional items – acquisition costs	(0.2)	–	–	–	(0.2)
Exceptional items – asset impairment	–	(0.4)	–	–	(0.4)
Earn out remuneration	(0.2)	–	–	–	(0.2)
Amortisation of acquired intangibles	(0.2)	(0.1)	–	–	(0.3)
Operating profit/(loss)	**4.9**	**0.1**	**1.2**	**(3.7)**	**2.5**

5 operating segment information continued

2010	Electronics £m	Supply Chain £m	Medical £m	Unallocated £m	Total operations £m
Revenue	112.4	62.0	7.2	–	181.6
Result					
Underlying operating (loss)/profit	(0.2)	1.3	0.8	(2.6)	(0.7)
Exceptional items – goodwill impairment	–	(0.3)	–	–	(0.3)
Exceptional items – integration restructuring	(2.4)	–	–	–	(2.4)
Exceptional items – other restructuring	(1.3)	(0.2)	–	(0.4)	(1.9)
Exceptional items – other	–	–	–	(0.1)	(0.1)
Amortisation of acquired intangibles	–	(0.1)	–	–	(0.1)
Operating (loss)/profit	(3.9)	0.7	0.8	(3.1)	(5.5)

Segment assets and liabilities

2011 Assets and liabilities	**Electronics £m**	**Supply Chain £m**	**Medical £m**	**Total operations £m**
Segment assets (excluding goodwill and intangibles)	65.2	19.9	3.0	88.1
Goodwill and intangibles	12.6	7.4	0.6	20.6
	77.8	27.3	3.6	108.7
Unallocated assets				0.8
Cash				13.6
Current and deferred tax assets				2.9
Total assets				**126.0**
Segment liabilities	(41.0)	(9.0)	(3.2)	(53.2)
Unallocated liabilities				(4.6)
Overdrafts and bank loans				(6.9)
Pensions				(5.5)
Current and deferred tax liabilities				(4.5)
Total liabilities				**(74.7)**
Net assets				**51.3**

5 operating segment information continued

2010 Assets and liabilities	Electronics £m	Supply Chain £m	Medical £m	Total operations £m
Segment assets (excluding goodwill and intangibles)	58.1	19.8	2.5	80.4
Goodwill and intangibles	7.7	7.7	0.6	16.0
	65.8	27.5	3.1	96.4
Unallocated assets				0.9
Cash				17.3
Current and deferred tax assets				2.9
Total assets				117.5
Segment liabilities	(37.3)	(9.9)	(2.5)	(49.7)
Unallocated liabilities				(3.9)
Overdrafts and bank loans				(3.4)
Pensions				(5.5)
Current and deferred tax liabilities				(3.1)
Total liabilities				(65.6)
Net assets				51.9

For the purposes of monitoring segment performance and allocating resources between segments the Directors monitor the net assets attributable to each segment. Assets and liabilities are allocated to reportable segments with the exception of pension liability, tax assets and liabilities, cash and all borrowings, central assets and liabilities and certain property, plant and equipment and intangibles.

Other segment information	**Depreciation and amortisation** **2011 £m**	2010 £m	**Additions to non current assets** **2011 £m**	2010 £m
Electronics	**0.9**	0.7	**6.0**	1.1
Supply Chain	**0.7**	0.7	**0.4**	1.9
Medical	**0.1**	0.1	**0.3**	0.2
Unallocated	**–**	–	**0.1**	–
	1.7	1.5	**6.8**	3.2

Geographical information

The Group's revenue from external customers and information about its segment assets (non current assets excluding deferred tax assets) by geographical location are detailed below:

	Revenue from external customers **2011 £m**	2010 £m	**Non current assets** **2011 £m**	2010 £m
UK	**79.9**	75.1	**16.8**	16.3
Europe	**175.3**	100.4	**8.1**	3.6
Rest of the World	**9.6**	6.1	**–**	–
	264.8	181.6	**24.9**	19.9

6 exceptional items

	2011 £m	2010 £m
Administrative expenses:		
Integration restructuring costs (a)	**(3.6)**	(2.4)
Other restructuring costs (b)	**(0.8)**	(1.9)
Write back of unutilised provisions for retained obligations (c)	**0.6**	–
Adjustment to profit on disposal of other financial assets (d)	**–**	(0.1)
Acquisition costs (e)	**(0.2)**	–
Impairment of goodwill (note 17)	**–**	(0.3)
Net operating exceptional costs	**(4.0)**	(4.7)
Non operating costs:		
Impairment of net assets (f)	**(0.4)**	–
Total exceptional items before tax	**(4.4)**	(4.7)
Tax on exceptional items	**1.4**	0.3
Total exceptional items net of tax	**(3.0)**	(4.4)

(a) Integration restructuring costs relate to costs incurred to achieve the synergies from integrating the back office functions of the BFi business acquired in December 2009. The costs primarily relate to staff termination costs, legal merger costs, certain dual running and onerous lease costs relating to the relocation of the Group's warehousing facility in the UK.
(b) Other restructuring costs this year mainly relate to the restructure and integration of the Supply Chain division. Last year, other restructuring costs related to the rationalisation of non merger related personnel in light of the general economic climate and reduced trading levels, onerous lease costs and termination costs of Executive Directors.
(c) Unutilised provisions for retained obligations set up in 2007 and 2008 in relation to the sale of the Air Conditioning and Refrigeration and IT Solutions businesses have been released.
(d) Adjustment to the profit on disposal of MessageLabsGroup Limited, sold in November 2008, following final agreement of previously estimated consideration.
(e) On 12 January 2011 the Group acquired 100% of the voting shares of CompoTRON GmbH (see note 11 for full details). Acquisition costs were £0.2m and have been expensed.
(f) On 12 October 2010, the Group sold its loss-making subsidiary, ATM Parts Company Limited ("ATM Parts") to Cennox plc. As at 30 September 2010, the assets of ATM Parts were written down to their fair value giving rise to an exceptional charge for the impairment of net assets of £0.4m.

7 operating profit/(loss)

Amounts charged/(credited) to the income statement are as follows:

	2011 £m	2010 £m
Employee costs (note 8)	**44.9**	34.2
Depreciation of property, plant and equipment (note 15)	**1.1**	1.2
Amortisation of intangible assets (note 18)	**0.6**	0.3
Net foreign exchange differences	**0.5**	0.5
Inventories (amounts included in cost of sales):		
Cost of inventories	**184.3**	123.5
Write-down of inventories to net realisable value	**2.4**	3.1
Reversal of prior year write-down of inventories*	**(0.6)**	(0.2)
Operating lease rentals:		
Minimum lease payments recognised as an operating lease expense	**3.8**	3.5
Auditors' remuneration:		
Audit of the Group financial statements (including parent company)	**0.1**	0.1
Other fees to auditors – local statutory audits for subsidiaries	**0.3**	0.3
Tax and transaction services	**0.1**	0.1

* Reversal relates to sales of goods previously written down.

8 employee costs

	2011 £m	2010 £m
Wages and salaries	**36.6**	28.3
Social security costs	**6.4**	4.4
Pension costs	**1.4**	1.3
Earn out remuneration	**0.2**	–
Share-based payments (note 32)	**0.3**	0.2
	44.9	34.2

The average monthly number of employees (including Executive Directors) during the year was as follows:

	2011 Number	2010 Number
Marketing, sales and service	**713**	651
Administration	**207**	144
	920	795

At 31 March 2011 the Group had 926 employees (2010: 955).

Details of Directors' emoluments are disclosed in the remuneration report on pages 29 to 33.

9 finance costs/(revenue)

	2011 £m	2010 £m
Interest expense on bank loans and overdrafts	**0.6**	0.6
Net pension finance charge (note 33)	**0.3**	0.6
Finance costs	**0.9**	1.2
Interest receivable and similar income	**(0.3)**	(0.4)
Finance revenue	**(0.3)**	(0.4)

10 taxation

The major components of corporation tax expense/(credit) are:

Consolidated income statement for total operations	2011 £m	2010 £m
Current taxation		
UK corporation tax	**(0.1)**	–
UK adjustments in respect of prior years	**(0.3)**	0.1
	(0.4)	0.1
Overseas tax	**0.9**	0.4
Overseas adjustments in respect of prior years	**0.5**	0.1
	1.4	0.5
Total current taxation	**1.0**	0.6
Deferred taxation		
Origination and reversal of temporary differences within the UK	**(0.4)**	(0.1)
Origination and reversal of temporary differences overseas	**(0.4)**	(0.2)
Total deferred taxation	**(0.8)**	(0.3)
Tax charge reported in the consolidated income statement	**0.2**	0.3

Tax recognised in other comprehensive income	2011 £m	2010 £m
(Decrease)/increase in deferred tax asset on pension deficit	**(0.2)**	0.1
Tax reported in other comprehensive income	**(0.2)**	0.1

Taxation for the year is lower (2010: higher) than the standard rate of taxation in the UK of 28% (2010: 28%). A reconciliation of the tax charge applicable to profit/(loss) before tax at the statutory tax rate to the actual tax charge at the Group's effective tax rate for the years ended 31 March 2011 and 31 March 2010 respectively was as follows:

	2011 £m	2010 £m
Profit/(loss) on continuing operations before tax	**1.9**	(6.3)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	**0.5**	(1.8)
Effect of:		
Different tax rates in overseas companies	**0.1**	(0.1)
(Utilised)/unrecognised losses	**(1.5)**	1.9
Non-deductible expenses	**0.7**	–
Change in tax rate applicable to UK deferred tax	**0.1**	–
Adjustments to tax expense in respect of prior years	**0.3**	0.3
At effective tax rate of 10.5% (2010: (4.8%))	**0.2**	0.3
Tax reported in the consolidated income statement	**0.2**	0.3

The current tax asset of £0.1m, (2010: £0.2m) represents advance payments and over payments.

10 taxation continued

Deferred tax	2011 £m	2010 £m
Deferred tax liabilities:		
Accelerated capital allowances	**(0.1)**	(0.1)
Other temporary differences	**(0.1)**	(0.1)
Gross deferred tax liabilities	**(0.2)**	(0.2)
Deferred tax assets:		
Pensions	**1.2**	1.5
Other temporary differences	**1.6**	1.2
Gross deferred tax assets	**2.8**	2.7

Deferred tax in the income statement	2011 £m	2010 £m
Consolidated income statement		
Deferred tax (credit)/charge:		
Accelerated capital allowances	**0.1**	(0.1)
Other temporary differences	**(0.9)**	(0.2)
	(0.8)	(0.3)

At 31 March 2011, the Group had not recognised any deferred tax asset in respect of tax losses of approximately £18.0m (2010: £24.0m). Deferred tax assets are not recognised where there is insufficient evidence that losses will be utilised.

At 31 March 2011, there was no recognised deferred tax liability (2010: nil) for taxes that would be payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings, as the Group has determined that the undistributed profits of its overseas subsidiaries will not be distributed in the near future where an additional tax charge would arise.

11 business combinations

Acquisition in year ended 31 March 2011

Acquisition of CompoTRON GmbH ("Compotron")

On 11 January 2011, the Group acquired 100% of the voting shares of Compotron, a privately owned specialist provider of electronic communication and fibre optic components to the European industrial electronics market. The acquisition is a further step in the implementation of the Group's European specialisation strategy and enhances the Group's position in the German specialist electronics market. The total consideration was £5.7m, of which £5.2m was paid immediately and £0.5m relating to working capital settlement was paid in April 2011. In addition up to £1.4m earn out remuneration is potentially payable in January 2013 dependent on the business achieving agreed performance targets.

The fair values of the identifiable assets and liabilities of Compotron as at the date of acquisition were:

	Fair value recognised at acquisition £m
Property, plant and equipment	0.1
Intangible assets – other	1.9
Inventories	0.3
Trade and other receivables	0.9
Cash	0.9
Trade and other payables	(1.4)
Current tax liabilities	(0.3)
Total indentifiable net assets	**2.4**
Provisional goodwill arising on acquisition	**3.3**
Total investment	**5.7**
Discharged by:	
Cash	5.2
Deferred cash	0.5
Total consideration	**5.7**

The fair value and the gross amount of trade receivables are the same. The fair values of trade receivables and inventories on acquisition of Compotron are provisional due to the timing of the transaction and will be finalised during the 2011/12 financial year.

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	**5.2**
Transaction costs of the acquisition (included in cash flows from operating activities)	**0.2**
Net cash acquired (included in cash flows from investing activities)	**(0.9)**
	4.5

Included in the £3.3m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies, the experience and skill of the management team and the value of customer relationships. Goodwill is allocated entirely to the electronics division.

Transaction costs of £0.2m have been expensed and are included as exceptional items in administration expenses.

From the date of acquisition to 31 March 2011, Compotron has contributed £2.6m to revenue and £0.4m to profit after tax of the Group. If the combination had taken place at the beginning of the year, the consolidated profit after tax for the Group would have been £2.7m and revenue from continuing operations would have been £271.3m.

11 business combinations continued

Acquisitions in year ended 31 March 2010

Acquisition of BFi OPTiLAS ("BFi")

On 18 December 2009, the Group acquired 100% of the voting shares of BFi, a privately owned specialist electronics and photonic component distributor operating in the UK and Europe. The consideration of £13.4m was satisfied by a combination of cash and equity as shown below. The fair value of the shares issued was based on the published price on 17 December 2009. The effective date of acquisition was 1 December 2009 when Acal established control over performance.

Book and fair values of the net assets at the date of acquisition were as follows:

	Book value £m	Restated fair value £m
Property, plant and equipment	1.2	1.0
Intangible assets – software	0.1	0.1
Intangible assets – other	–	0.4
Deferred tax assets	1.9	–
Inventories	8.2	7.8
Trade and other receivables	20.5	20.1
Bank overdrafts	(1.0)	(1.0)
Trade and other payables	(12.4)	(12.7)
Current tax liabilities	(0.1)	(0.4)
Provisions	(1.4)	(1.9)
Net assets	**17.0**	**13.4**
Goodwill arising on acquisition		**–**
Total investment		**13.4**
Discharged by:		
Fair value of shares issued (2,000,000 shares at £1.35 per share)		2.7
Cash		9.0
Costs associated with the acquisition, settled in cash		1.7
Total consideration		**13.4**

The fair values on acquisition of BFi recognised in the 31 March 2010 accounts were provisional due to the timing of the transaction. Following a review in the year ended 31 March 2011 the fair value of inventory and trade receivables were increased by £0.3m and £0.1m respectively with a corresponding decrease in goodwill and reflected in the fair value and goodwill in the table above. The 2010 comparative information was restated to reflect this adjustment.

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	**10.7**
Net cash and overdrafts acquired	**1.0**
	11.7

From the date of acquisition to 31 March 2010, BFi contributed a profit of £nil to the loss of the Group. If the acquisition had taken place at the beginning of the year, the loss for the year ended 31 March 2010 from continuing operations for the Group would have been £9.7m and revenue from continuing operations would have been £231.2m.

Acquisition of Minority Interest in Acal Supply Chain Limited

On 9 April 2009, the Group acquired the remaining 25% in Acal Supply Chain Limited (formerly Service Source Europe Limited) for a total cash consideration of £1.0m. Minority interest acquired as a result of this was £0.4m creating £0.6m additional goodwill. Total goodwill relating to the acquisition is £2.5m.

12 disposals

On 12 October 2010, the Group sold its loss-making subsidiary, ATM Parts Company Limited ("ATM Parts") to Cennox plc for a consideration of £0.7m on a debt free, cash free basis. As at 30 September 2010, the assets of ATM Parts were written down to their fair value giving rise to an exceptional charge for the impairment of net assets of £0.4m. For the period to 12 October 2010, ATM Parts incurred pre-tax losses of £0.2m on revenues of £1.8m (pre-tax losses of £0.5m on revenues of £3.3m for the year ended 31 March 2010).

	£m
Sale proceeds	0.7
Costs of disposal	(0.1)
Total sales proceeds	0.6
Total net assets sold	(0.6)
Profit on disposal	–

The major classes of assets and liabilities disposed of were:

	£m
Property, plant and equipment	0.1
Inventories	0.4
Trade and other receivables	0.4
Trade and other payables	(0.4)
Current tax assets	0.1
	0.6

13 dividends

Amounts recognised in equity as distributions to equity holders in the year:

	2011 £m	2010 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2010 of 4.67p (2009: 3.5p)	**1.3**	0.9
Interim dividend for the year ended 31 March 2011 of 2.33p (2010: 2.33p)	**0.7**	0.7
Total amounts recognised as equity distributions during the year	**2.0**	1.6

Proposed for approval at the AGM:	**2011 £m**	2010 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2011 of 5.14p (2010: 4.67p)	**1.5**	1.3

Summary	**2011**	2010
Dividends per share declared in respect of year	**7.47p**	7.00p
Dividends per share paid in year	**7.00p**	5.83p
Dividends paid in year	**£2.0m**	£1.6m

14 earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share is the basic earnings/(loss) per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2011 £m	2010 £m
Earnings/(loss) for the year attributable to equity holders of the parent	**1.7**	(6.6)

	2011 Number	2010 Number
Weighted average number of shares for basic earnings per share	**28,431,486**	26,987,847
Effect of dilution – share options	**1,214,467**	620,498
Adjusted weighted average number of shares for diluted earnings per share	**29,645,953**	27,608,345
Basic earnings/(loss) per share	**6.0p**	(24.5)p
Diluted earnings/(loss) per share	**5.7p**	(24.5)p

At the year end there were 1,778,754 ordinary share options in issue that could potentially dilute earnings per share in the future of which 1,214,467 are currently dilutive (2010: 1,283,488 in issue and 620,498 dilutive). No adjustment has been made for the dilutive impact in the prior year as this would decrease the reported loss per share.

Underlying earnings/(loss) per share is calculated as follows:

	2011 £m	2010 £m
Earnings/(loss) for the year attributable to equity holders of the parent	**1.7**	(6.6)
Exceptional items	**4.4**	4.7
Earn out remuneration	**0.2**	–
Amortisation of acquired intangibles	**0.3**	0.1
IAS 19 charge for pension finance costs	**0.3**	0.6
Tax effects on exceptional items, earn out remuneration, amortisation of acquired intangibles and IAS 19 charge pension finance costs	**(1.4)**	(0.5)
Underlying earnings/(loss)	**5.5**	(1.7)

	2011 Number	2010 Number
Weighted average number of shares for basic earnings per share	**28,431,486**	26,987,847
Effect of dilution – share options	**1,214,467**	620,498
Adjusted weighted average number of shares for diluted earnings per share	**29,645,953**	27,608,345
Underlying basic earnings/(loss) per share	**19.3p**	(6.3)p
Underlying diluted earnings/(loss) per share	**18.6p**	(6.3)p

15 property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 April 2009	3.3	2.4	10.6	16.3
Additions	–	0.3	0.4	0.7
Disposals	(1.0)	–	(0.9)	(1.9)
Reclassification	–	0.9	(0.9)	–
Business acquisitions	–	0.2	0.8	1.0
Exchange adjustments	–	–	(0.2)	(0.2)
At 31 March 2010	2.3	3.8	9.8	15.9
Additions	–	0.2	0.9	1.1
Disposals	(0.4)	(0.3)	(0.9)	(1.6)
Business acquisitions	–	–	0.1	0.1
Business disposals	–	–	(1.4)	(1.4)
Exchange adjustments	–	–	(0.1)	(0.1)
At 31 March 2011	**1.9**	**3.7**	**8.4**	**14.0**
Depreciation				
At 1 April 2009	1.5	1.9	8.2	11.6
Charge for the year	0.1	0.3	0.8	1.2
Disposals	(0.1)	–	(0.7)	(0.8)
Reclassification	–	0.6	(0.6)	–
At 31 March 2010	1.5	2.8	7.7	12.0
Charge for the year	–	0.2	0.9	1.1
Disposals	(0.4)	(0.2)	(0.9)	(1.5)
Business disposals	–	–	(1.4)	(1.4)
At 31 March 2011	**1.1**	**2.8**	**6.3**	**10.2**
Net book amount at 31 March 2011	**0.8**	**0.9**	**2.1**	**3.8**
Net book amount at 31 March 2010	0.8	1.0	2.1	3.9

Freehold property includes land with a cost of £0.5m (2010: £0.5m) that is not subject to depreciation. Assets held under finance leases with a net book amount of £nil (2010: £nil) are included in plant and equipment.

Capital expenditure commitments

	2011 £m	2010 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**–**	–

16 intangible assets – goodwill

	£m
Cost	
At 1 April 2009	55.3
Exchange and other adjustments	0.1
Acquisition of shares in subsidiaries	0.6
At 31 March 2010	56.0
Exchange and other adjustments	0.2
Acquisition of shares in subsidiaries	3.3
At 31 March 2011	**59.5**

	£m
Impairment	
At 1 April 2009	41.8
Impairment	0.3
At 31 March 2010 and at 31 March 2011	**42.1**
Net book amount at 31 March 2011	**17.4**
Net book amount at 31 March 2010	13.9

Goodwill is not amortised but is subject to annual impairment testing.

Goodwill arising in the year relates to the acquisition of Compotron. Further information is disclosed in note 11.

17 impairment testing of goodwill

The carrying amount of goodwill is analysed as follows:

	2011 £m	2010 £m
Supply Chain:		
Acal Supply Chain Limited/Computer Parts International Limited	**6.5**	6.5
Electronics:		
UK electronics businesses	**6.8**	6.8
Compotron	**3.5**	–
Medical	**0.6**	0.6
	17.4	13.9

Goodwill acquired through business combinations is allocated to cash generating units (CGUs).

The recoverable amount of a CGU is based upon value in use calculations and management's review of the recoverable amount. The key assumptions in these calculations relate to future revenue and gross margins. The calculation is most sensitive to revenue assumptions, however senior management believe that the assumptions used are reasonable. Cash flows beyond the annual budget plan period of one year are extrapolated using a growth rate of 2% (2010: between 1% and 2%). These rates do not exceed the average long-term growth rate for the relevant markets. Discount rates reflect the current market assessment of the risks specific to each CGU. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry and then further adjusted to reflect the management's assessment of any risk specific to the CGUs. The pre tax discount rate applied to cash flow projections is between 16-17% (2010: 16-20%).

Acal Supply Chain Limited/Computer Parts International Limited

On 31 March 2011 the business and associated net assets of Computer Parts International Limited ("CPI") were purchased by Acal Supply Chain Limited ("ASC") at net book value. As the combined business does not separate the CGUs of the two entities the impairment review is based upon the combined future cash flows.

The recoverable amount of the ASC/CPI units have been determined based on a value in use calculation using cash flow projections from the financial budget recently approved by senior management. The pre-tax discount rate applied to cash flow projections is 16% (2010: 16%) and cash flows beyond one year are extrapolated using a 2% growth rate (2010: 1%). As a result the combined ASC/CPI CGUs have not been impaired (2010: £nil).

17 impairment testing of goodwill continued

UK electronics businesses

The recoverable amount of this unit has also been determined based on a value in use calculation using cash flow projections from the financial budget recently approved by senior management. The pre-tax discount rate applied to cash flow projections is 16% (2010: 16%) and cash flows beyond one year are extrapolated using a 2% growth rate (2010: 2%). As a result the UK electronics businesses CGU has not been impaired (2010: £nil).

Compotron business

The recoverable amount of this unit has also been determined based on a value in use calculation using cash flow projections from the financial budget recently approved by senior management. The pre-tax discount rate applied to cash flow projections is 17% (2010: n/a) and cash flows beyond one year are extrapolated using a 2% growth rate (2010: n/a). As a result the Compotron business CGU has not been impaired (2010: £nil).

Medical

The recoverable amount of this unit has also been determined based on a value in use calculation using cash flow projections from the financial budget recently approved by senior management. The pre-tax discount rate applied to cash flow projections is 16% (2010: 20%) and cash flows beyond one year are extrapolated using a 2% growth rate. As a result the Medical CGU has not been impaired (2010: £nil).

Sensitivity to changes in assumptions

The Group has conducted sensitivity analysis on the impairment test of each CGU's carrying value. With regard to UK Electronics, Compotron and Medical, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the combined Acal Supply Chain/ Computer Parts International there are reasonable possible changes in key assumptions which could erode the estimated headroom amount of £1.0m by which the carrying value of the two units exceeds the recoverable amount.

The combined Acal Supply Chain/ Computer Parts International is sensitive to changes in both the growth and discount rates. An increase in the discount rate of 1.0 percentage points or a reduction in growth of 1.0 percentage points would result in an impairment charge.

18 intangible assets – other

	Software £m	Customer contracts £m	Total £m
Cost			
At 1 April 2009	9.3	0.7	10.0
Business acquisitions	0.1	0.4	0.5
Additions	0.4	–	0.4
Exchange adjustment	(0.1)	–	(0.1)
At 31 March 2010	9.7	1.1	10.8
Business acquisitions	–	1.9	1.9
Business disposals	(0.2)	–	(0.2)
Additions	0.2	–	0.2
Disposals	(0.4)	–	(0.4)
Exchange adjustment	–	0.1	0.1
At 31 March 2011	**9.3**	**3.1**	**12.4**
Amortisation			
At 1 April 2009	8.5	–	8.5
Amortisation	0.2	0.1	0.3
Exchange adjustment	(0.1)	–	(0.1)
At 31 March 2010	8.6	0.1	8.7
Business disposals	(0.2)	–	(0.2)
Amortisation	0.3	0.3	0.6
Disposals	(0.4)	–	(0.4)
At 31 March 2011	**8.3**	**0.4**	**8.7**
Net book amount at 31 March 2011	**1.0**	**2.7**	**3.7**
Net book amount at 31 March 2010	1.1	1.0	2.1

18 intangible assets – other continued

Included in amortisation is an accumulated impairment to date of £2.4m (2010: £2.4m).

The computer software capitalised at 31 March 2011 principally relates to the implementation of one system through the majority of the Electronics businesses. The ERP system has a carrying amount of £0.5m (2010: £0.4m) and a remaining amortisation period of 2.75 years.

Customer contracts have an average remaining useful life of 4.5 years.

Capital expenditure commitments in relation to IT software at 31 March 2011 were £nil (2010: £nil).

19 investments in associates

	£m
Cost	
At 31 March 2010 & 2011	**5.4**
Impairment	
At 31 March 2010 & 2011	**(5.4)**
Net book amount at 31 March 2010 and 2011	**–**

Associates	Country of incorporation	**% equity interest 2011 and 2010**
Ceratech Holdings PLC*	England	**30**
Scientific Digital Business (Pte) Ltd	Singapore	**40**

* Indirectly held.

Impairment of associate investments

In 2009 the Directors took the view that the remaining associate investments should also be fully impaired due to continuing losses in those businesses. There have been no changes in 2011 that would lead to these impairments being reversed.

20 inventories

	2011 £m	2010 £m
Finished goods and goods for resale	**25.3**	23.7

21 trade and other receivables

	2011 £m	2010 £m
Trade receivables	**56.0**	47.3
Other receivables	**1.7**	4.4
Prepayments and accrued income	**1.6**	2.0
	59.3	53.7

Trade receivables are non-interest bearing and are generally on 30-60 days' terms and are shown net of a provision for impairment. As at 31 March 2011, trade receivables at nominal value of £2.6m (2010: £2.9m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2011 £m	2010 £m
At 1 April	**2.9**	1.0
Acquired with subsidiary	**–**	1.6
Charge for the year	**0.9**	0.7
Amounts written off	**(1.0)**	(0.2)
Unused amounts reversed	**(0.2)**	(0.2)
At 31 March	**2.6**	2.9

21 trade and other receivables continued

As at 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £m	Neither past due nor impaired £m	Past due but not impaired <30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	>120 days £m
2011	**56.0**	**48.0**	**5.2**	**1.7**	**0.5**	**–**	**0.6**
2010	47.3	40.5	4.9	0.9	0.5	0.1	0.4

22 cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	**13.6**	17.3

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The Group only deposits cash surpluses with major banks of high credit standing, in line with treasury policy. The fair value of cash and cash equivalents is £13.6m (2010: £17.3m)

23 financial liabilities

	Effective interest rate %	Maturity	Current **2011 £m**	Current 2010 £m	Non-current **2011 £m**	Non-current 2010 £m
Bank overdrafts	Variable	On demand	**4.2**	3.4	**–**	–
Unsecured bank loans			**0.9**	–	**1.8**	–
Total borrowings			**5.1**	3.4	**1.8**	–
Trade and other payables			**48.3**	41.3	**–**	–
Onerous contracts			**0.8**	1.2	**0.9**	1.7
Total			**54.2**	45.9	**2.7**	1.7

Interest on overdrafts is based on floating rates linked to LIBOR.

The maturity of the financial liabilities is as follows:

At 31 March 2011	Within 1 year £m	2-5 years £m	Over 5 years £m	Total £m
Floating rate*	5.2	2.0	–	7.2
Trade payables	48.3	–	–	48.3
Onerous contracts	0.8	0.9	–	1.7
	54.3	**2.9**	**–**	**57.2**

At 31 March 2010	Within 1 year £m	2-5 years £m	Over 5 years £m	Total £m
Floating rate*	3.4	–	–	3.4
Trade payables	41.3	–	–	41.3
Onerous contracts	1.2	1.3	0.4	2.9
	45.9	1.3	0.4	47.6

* Floating rate financial liabilities include future interest payments of £0.1m (£2010: £nil) within one year and £0.2m (2010: £nil) between two and five years.

23 financial liabilities continued

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2011 £m	2010 £m
Euro	**5.8**	2.5
US dollar	**1.0**	0.6
Other currencies	**0.1**	0.3
	6.9	3.4

24 movements in cash and net debt

Year to 31 March 2011	31 March 2010 £m	Cash flow £m	Foreign exchange £m	**31 March 2011 £m**
Cash at bank and in hand	17.3			**13.6**
Overdrafts	(3.4)			**(4.2)**
Cash and cash equivalents	13.9	(4.3)	(0.2)	**9.4**
Bank loans under one year	–			**(0.9)**
Bank loans over one year	–			**(1.8)**
Total loan capital	–	(2.6)	(0.1)	**(2.7)**
Net cash	**13.9**	**(6.9)**	**(0.3)**	**6.7**

Year to 31 March 2010	31 March 2009 £m	Cash flow £m	Foreign exchange £m	31 March 2010 £m
Cash at bank and in hand	33.2			17.3
Overdrafts	(8.4)			(3.4)
Cash and cash equivalents	24.8	(11.3)	0.4	13.9
Bank loans under one year	(0.2)			–
Bank loans over one year	(0.1)			–
Total loan capital	(0.3)	0.2	0.1	–
Net cash	24.5	(11.1)	0.5	13.9

25 reconciliation of cash flows from operating activities

	2011 £m	2010 £m
Profit/(loss) for the year	**1.7**	(6.6)
Taxation expense	**0.2**	0.3
Net finance costs	**0.6**	0.8
Depreciation of property, plant and equipment	**1.1**	1.2
Amortisation of intangible assets – other	**0.6**	0.3
Change in provisions	**(1.1)**	1.7
Loss/(gain) on disposal of property, plant and equipment	**0.1**	(0.3)
Impairment of goodwill and associates	**–**	0.3
Impairment of other assets	**0.4**	–
Pension scheme funding	**(0.7)**	(1.3)
Equity-settled share based payment expense	**0.3**	0.2
Operating cash flows before changes in working capital	**3.2**	(3.4)
(Increase)/decrease in inventories	**(2.4)**	8.0
(Increase)/decrease in trade and other receivables	**(5.5)**	4.0
Decrease/(increase) in trade and other payables	**5.2**	(3.4)
(Increase)/decrease in working capital	**(2.7)**	8.6
Cash generated from operations	**0.5**	5.2
Interest paid	**(0.6)**	(0.6)
Income taxes received/(paid)	**0.5**	(3.1)
Net cash flows from operating activities	**0.4**	1.5

26 provisions

	Onerous contracts £m	Severance indemnity £m	Other £m	Total £m
At 1 April 2010	2.9	1.1	3.5	7.5
Released during the year – exceptional	(0.4)	–	(0.2)	(0.6)
Arising during the year – exceptional	0.2	–	0.9	1.1
Arising during the year – other	–	0.1	2.6	2.7
Utilised	(0.9)	(0.4)	(3.1)	(4.4)
Exchange	(0.1)	–	–	(0.1)
At 31 March 2011	**1.7**	**0.8**	**3.7**	**6.2**

Analysis of total provisions	2011 £m	2010 £m
Current	**2.9**	4.2
Non-current	**3.3**	3.3
	6.2	7.5

Onerous contracts
The onerous contracts provision relates to lease obligations in respect of unoccupied properties. Onerous contract provisions are expected to be used over periods of up to 7 years.

Severance indemnity
The severance indemnity provision relates to severance costs payable to employees. The majority of the provisions are expected to be used up within one year.

Other
The other provision relates to other claims, long term bonus schemes, general restructuring and the integration of the BFi group and is expected to be utilised within one to three years.

27 financial risk controls

Management of financial risk

The main financial risks faced by the Group are credit risk, liquidity risk and market risks, which include interest rate risk and currency risk. Acal plc also faces risks which are non-financial or non-quantifiable; these are set out in the Directors' Report on pages 21 to 24. The Board regularly reviews these risks and approves written policies covering the use of financial instruments to manage these risks and sets overall risk limits.

The Group Finance Director retains the overall responsibility and management of financial risk for the Group. Most of the Group's financing and interest rate risk management is done centrally at Group head office, however the foreign exchange risk is managed centrally and locally, any action being approved by head office. The Board approves policies and procedures setting out permissible funding and hedging instruments, exposure limits and a system of authorities for the approval of transactions.

The derivative financial instruments approved by the Board to manage financial risks include swaps, both interest rate and currency, swaptions, caps, forward rate agreements, financial forward contracts and options.

Management of interest rate risk

The Group has an exposure to interest rate risk arising principally from changes in Euro, Sterling and US dollar interest rates. The Group has not hedged against interest rate risk.

Based on the Group's net cash position at the year end a 1% increase in interest rates would decrease the Group's profit before tax by approximately £0.1m (2010: £0.1m).

Management of foreign exchange risk

The Group's shareholders' equity, earnings and cash flows are exposed to foreign exchange risks due to the mismatch between the currencies in which it purchases stock and the final currency of sale to its customers.

It is Group policy to hedge identified significant foreign exchange exposure on its committed operating cash flows. This is done both centrally and locally based on actual committed orders and sales. The Group does not hedge contingent exposures.

The following table demonstrates the sensitivity to a reasonably possible change in the US$ and Euro rates against Sterling, with all other variables remaining constant, of the Group's profit/(loss) before tax, due to changes in the fair value of monetary assets and liabilities.

	£ currency impact		US$ currency impact		Euro currency impact	
Profit/(loss) before tax – (loss)/gain	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
10% appreciation	**(0.4)**	(0.1)	**1.4**	0.6	**(1.0)**	(0.4)
10% depreciation	**0.5**	0.1	**(1.5)**	(0.6)	**1.1**	0.5

Management of credit risk

Credit risk exists in relation to customers, banks and insurers. These risks are mitigated by maintaining rigorous credit control procedures across a wide customer base.

The Group is exposed to some credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with recognised creditworthy third parties who have been through a credit verification process. The maximum exposure to credit risk is limited to the carrying value of trade and other receivables.

As well as credit risk exposures inherent within the Group's outstanding receivables, the Group is exposed to counterparty credit risk arising from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions.

The Group manages this credit risk by entering into financial instrument contracts only with highly credit-rated authorised counterparties which are reviewed and approved annually by the Board.

The Group has Board approved maximum counterparty exposure limits for specified banks and financial institutions based on the long-term credit ratings of Standard & Poor's and Moody's.

Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and that there are no significant concentrations of credit risks.

27 financial risk controls continued

Management of liquidity risk

The Group manages its exposure to liquidity risk and ensures maximum flexibility in meeting changing business needs by managing the cash generation of its operations, combined with bank borrowings and access to long-term debt. In its funding strategy the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts, bank loans and facilities.

Excess cash used in managing liquidity is placed on interest bearing deposit with approved counterparties, with maturities fixed at no more than three months.

At 31 March 2011, the Group had net cash of £8.5m (2010: £13.9m). Net cash excludes long term borrowings of £1.8m (2010: £nil). The Group had total working capital facilities available of £27.9m (2010: £18.2m) with a number of major UK and overseas banks of which £19.7m (2010: £8.0m) were committed facilities. The Group had drawn £9.8m against total facilities at 31 March 2011. The committed facilities were taken out as a policy to decrease the Group's exposure to uncommitted and short term financing. The maturity of committed facilities ranges from July 2012 to January 2014. The facilities are subject to certain performance covenants, which on review at 31 March 2011 gave significant headroom.

Management of Capital

The Group aims to maximise shareholder value by maintaining an appropriate debt/equity capital structure. It uses a number of mechanisms to manage debt/equity levels, as appropriate, in the light of economic and trading conditions, and the future capital investment requirements of the business. Capital is made up entirely of equity and is analysed in the statement of changes in equity.

28 financial assets and liabilities

Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

	Carrying amount 2011 £m	**Fair value 2011 £m**	Carrying amount 2010 £m	Fair value 2010 £m
Financial assets				
Cash at bank and in hand	**13.6**	**13.6**	17.3	17.3
Financial liabilities at amortised cost				
Bank overdrafts and short-term borrowings	**(5.1)**	**(5.1)**	(3.4)	(3.4)
Non current interest-bearing loans and borrowings				
Floating rate borrowings	**(1.8)**	**(1.8)**	–	–

Short term trade and other receivables, payables and provisions have been excluded from the above table as their book values approximate fair values.

29 trade and other payables

	2011 £m	2010 £m
Trade payables	**33.1**	27.9
Other payables	**7.2**	9.1
Accrued expenses and deferred income	**11.3**	9.1
	51.6	46.1

Trade payables are non-interest bearing and are settled taking into account local good practice.
Other payables are non-interest bearing and settled throughout the year.
Accruals are non-interest bearing and settled throughout the year.
Deferred income is recognised over the term of the contract.

30 share capital

Authorised	2011 Number	2011 £m	2010 Number	2010 £m
Ordinary shares of 5p each	**44,000,000**	**2.2**	44,000,000	2.2

Allotted, called up and fully paid	2011 Number	2011 £m	2010 Number	2010 £m
Ordinary shares of 5p each	**28,479,804**	**1.4**	28,418,354	1.4

There were 61,450 shares issued during the year at a price of £2.705 per share (2010: 2,000,000 at £1.35 per share).

31 commitments and contingencies

Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
Due within one year	**3.2**	3.7
Due after one year but not more than five years	**7.0**	6.8
Due after more than five years	**1.5**	1.4
	11.7	11.9

Contingent liabilities – pension equalisation

The Group is currently assessing its obligations arising from the equalisation of retirement ages for certain members of its defined benefit pension scheme required by the Barber judgement in May 1990, commonly referred to as "Barber window" obligations. It is possible that the Group may have additional obligations for equalisation benefits during a six year period and the Company is taking legal advice to assess the range of possible outcomes. Due to the current uncertainty, no provision has been made in respect of this issue, in accordance with IAS 37. Based on actuarial advice, the Directors estimate that the annual cost to the Company, if any, would be in the range of £0 to £0.1m per annum.

There were no material contingent liabilities at 31 March 2010.

Guarantees

The Company has given guarantees and offset arrangements to support bank facilities made available to subsidiary undertakings. As at 31 March 2011 the relevant subsidiary bank borrowings amounted to £6.7m (2010: £2.2m).

32 share-based payment plans

The Group operates various share based payment plans. The various schemes are explained below and have been separated into three separate disclosures.

	2011 £m	2010 £m
a) Approved and Unapproved Executive Share Option Schemes	–	–
b) Acal plc long term incentive plan ("the LTIP")	0.3	0.2
c) "B" Share Scheme	–	–
	0.3	0.2

a) Approved and Unapproved Executive Share Option Schemes

The Group operates an approved and an unapproved executive share option scheme, the rules of which are similar in all material respects. The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. The exercise of options is subject to the meeting of performance criterion; namely, that the growth in the company's earnings per share in any three year period before exercise must have exceeded the percentage increase in the Retail Price Index over the same period plus two per cent per annum. Exercise of an option is subject to continued employment. The life of each option granted is seven years. There are no cash settlement alternatives.

Options are valued using the Black-Scholes option-pricing model. No non-market performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	14 June 2007	30 June 2006
Share price at grant date	£3.8725	£3.675
Exercise price	£3.8725	£3.675
Number of employees	37	46
Shares under option	310,000	116,500
Vesting period (years)	3	3
Expected volatility	30.8%	30.8%
Option life (years)	7	7
Expected life (years)	4.5	4.5
Risk free rate of return	5.4%	5.06%
Expected dividends expressed as a dividend yield	5.0%	5.0%
Fair value	£0.80	£0.74

The expected volatility is based on historical volatility over the previous five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The total charge for the year relating to the approved and unapproved share option schemes was £nil (2010: £nil).

32 share-based payment plans continued

Outstanding share options

A summary of the options over ordinary shares that have been granted under various Group share option schemes and remain outstanding is given below:

31 March 2011

Outstanding at 1 April 2010	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2011	Exercise price (pence)	Exercise dates
36,700	(36,700)	–	–	–	525.00	2006-2010
37,750	–	–	–	37,750	480.00	2007-2011
41,550	–	(2,500)	–	39,050	335.00	2008-2012
44,500	–	(5,000)	–	39,500	367.50	2009-2013
100,000	–	(25,000)	–	75,000	387.25	2010-2014
260,500	**(36,700)**	**(32,500)**	**–**	**191,300**		

31 March 2010

Outstanding at 1 April 2009	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2010	Exercise price (pence)	Exercise dates
87,500	(71,500)	(16,000)	–	–	586.50	2005-2009
73,700	–	(37,000)	–	36,700	525.00	2006-2010
64,750	–	(27,000)	–	37,750	480.00	2007-2011
73,050	–	(31,500)	–	41,550	335.00	2008-2012
81,500	–	(37,000)	–	44,500	367.50	2009-2013
242,000	–	(142,000)	–	100,000	387.25	2010-2014
622,500	(71,500)	(290,500)	–	260,500		

Changes in share options

A reconciliation of option movements over the year to 31 March 2011 is shown below:

	2011 Number ('000)	**2011** Weighted average exercise price	2010 Number ('000)	2010 Weighted average exercise price
Outstanding at 1 April	**260**	**£4.08**	622	£4.32
Granted	**–**	**–**	–	–
Exercised	**–**	**–**	–	–
Expired	**(37)**	**£5.25**	(71)	£5.87
Forfeited	**(32)**	**£3.80**	(291)	£4.16
Outstanding at 31 March	**191**	**£3.91**	260	£4.08
Exercisable at 31 March	**116**	**£3.91**	160	£4.22

The weighted average remaining contractual life for the share options outstanding as at 31 March 2011 is 2.0 years (2010: 2.8 years).

The range of exercise prices for options outstanding at the end of the year was £3.35 to £4.80 (2010: £3.35 to £5.25).

32 share-based payment plans continued

b) The LTIP

Since 2008 the Group has operated the LTIP as a replacement for the approved and an unapproved executive share option scheme detailed above. The LTIP involves a conditional award of shares on a grant of a nil-cost option. The award of shares to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of such factors as their contribution to the Group's success. The LTIPs are equity settled and there are no cash settled alternatives. The release of an award is dependent on the individual's continued employment for a three year holding period from the date of grant and the satisfaction by the Company of certain performance conditions. For awards made in 2010 and 2011 the performance conditions are as follows:

- 50% of the award is based on the Company's comparative total shareholder return ("TSR") against a comparator group made up of the constituents of the FTSE Small Cap Index; and
- 50% of the award is based on the Company's absolute total shareholder return as measured against the Retail Price Index ("RPI").

Awards are valued using the Monte Carlo Simulation and Discounted Share Price models. No non-market performance conditions were included in the fair value calculations. The 2011 awards were approved by the Remuneration Committee on 24 March 2011 and a valuation of these awards will be carried out in the year ending 31 March 2012. The 2011 awards were granted on 31 March 2011 and therefore there is no material charge in the year relating to these awards. The fair value per award granted and the assumptions used in the calculation are as follows:

Awards granted in the year ended 31 March 2011:

Grant date	31 March 2011* TSR	31 March 2011* RPI	20 July 2010 TSR	20 July 2010 RPI	01 July 2010 TSR	01 July 2010 RPI
Share price at grant date	£3.42	£3.42	£1.69	£1.69	£1.54	£1.54
Exercise price	nil	nil	nil	nil	nil	nil
Number of employees	7	7	1	1	1	1
Shares under option	163,142	163,142	89,724	89,724	38,636	38,636
Vesting period (years)	3	3	3	3	3	3
Expected volatility	55%	55%	55.3%	55.3%	55.5%	55.5%
Option life (years)	10	10	10	10	10	10
Expected life (years)	3	3	3	3	3	3
Risk free rate of return	1.4%	1.4%	1.39%	1.39%	1.36%	1.36%
Expected dividends expressed as a dividend yield	4.7%	4.7%	4.7%	4.7%	4.8%	4.8%
Fair value	£2.09	£1.80	£1.06	£0.93	£0.92	£0.77

* Valuation of these options is provisional.

Awards granted in the year ended 31 March 2010:

Grant date	31 March 2010 TSR	31 March 2010 RPI
Share price at grant date	£1.595	£1.595
Exercise price	nil	nil
Number of employees	4	4
Shares under option	201,245	201,245
Vesting period (years)	3	3
Expected volatility	55.4%	55.4%
Option life (years)	10	10
Expected life (years)	3	3
Risk free rate of return	1.90%	1.90%
Expected dividends expressed as a dividend yield	5.3%	5.3%
Fair value	£0.97	£0.86

The expected volatility is based on historical volatility over a term commensurate with the expected life of each award. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The total charge for the year relating to the LTIP schemes (including special awards referred to below) was £0.3m (2010: £0.2m).

32 share-based payment plans continued

Outstanding LTIP

A summary of the awards that have been granted under the LTIP and remain outstanding is given below:

31 March 2011

Outstanding at 1 April 2010	Granted during the year	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2011	Exercise dates
620,498	–	–	–	–	620,498	2012-2019
402,490	–	–	–	–	402,490	2013-2020
–	583,003	–	–	–	583,003	2014-2021
1,022,988	**583,003**	**–**	**–**	**–**	**1,605,991**	

Included above is a special award granted on 20 July 2010 in the form of a nil cost option over 179,447 shares in the company. Full details of this award are given in the Remuneration Report on page 31.

31 March 2010

Outstanding at 1 April 2009	Granted during the year	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2010	Exercise dates
277,776	–	–	(277,776)	–	–	2011-2018
620,498	–	–	–	–	620,498	2012-2019
–	402,490	–	–	–	402,490	2013-2020
898,274	402,490	–	(277,776)	–	1,022,988	

c) "B" Share Scheme

Following the acquisition of Service Source Europe Limited, by Acal Supply Chain Limited ("ASC"), Acal has set up a B Share Scheme for the management of the new division. The B Share Scheme was approved by the Shareholders under the Listing Rules at the General Meeting on 8 January 2009.

The terms of the B Share Scheme are designed to ensure that the management are incentivised to grow and improve the profitability of the division in the medium term, thereby increasing its value to the Acal Group.

The principal right of the B Shares is to receive value on the sale of ASC on or prior to 31 March 2013, or by exercise (by put or call) of an option over the B Shares after 31 March 2013.

The proceeds of such an exit adjusted for any net cash or debt ("Equity Value") are dependent on the equity value of the business at 31 March 2013.

The share based payments charge has been based on a predicted future value model and was £nil (2010 £nil).

33 pensions

Defined contribution schemes

The Group makes payments to various defined contribution pension schemes, the assets of which are held in separately administered funds. In the United Kingdom the relevant scheme is the Acal Group Employee Pension Scheme ('the Acal scheme'). Contributions by both employees and Group companies are held in externally invested trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the Acal scheme, and thereafter has no further obligations in relation to the Acal scheme. At the year end, 178 employees were active members of the Acal scheme (2010: 165). The total cost charged to income in relation to the UK based Acal scheme was £527,000 (2010: £471,000). Employer contributions in respect of other UK based schemes and overseas pension schemes were £47,000 (2010: £69,000) and £844,000 (2010: £720,000) respectively. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2010/11 but based on actual salary levels in 2011/12.

Defined benefit schemes

The acquisition of the Sedgemoor Group in June 1999 brought with it certain defined benefit pension schemes, the principal one of which was the Sedgemoor Group Pension Fund (together 'the Sedgemoor Scheme'). The Sedgemoor Scheme is funded by the Company, provides retirement benefits based on final pensionable salary and its assets are held in a separate trustee-administered fund.

Following the acquisition of Sedgemoor, the Sedgemoor Scheme was closed to new members. Shortly thereafter employees were given the opportunity to join the Acal Scheme and future service benefits ceased to accrue to members under the Sedgemoor Scheme.

Contributions to the Sedgemoor Scheme are determined in accordance with the advice of independent, professionally qualified actuaries.

The most recent funding valuation, conducted at March 2011, shows a deficit of £8.8m.

The funding valuation conducted at December 2009 showed a deficit of £11.2m and based upon this valuation and the restructuring expenditure being undertaken by the Group following the integration of BFi, the Fund's Trustees agreed with Sedgemoor Limited (the Company) a two year reduction in the funding contributions until 2012 to £0.7m per year (previously £1.3m), increasing by 3% per annum from a base of £1.5m in 2013 for a further 10 years.

The main actuarial assumptions used are set out as follows:

	2011	2010
Rate of increase of salaries	**n/a**	n/a
Rate of increase of pensions in payment	**3.6%**	3.7%
Discount rate	**5.5%**	5.6%
Inflation assumption	**3.6%**	3.7%

The discount rate is based on over 15 year AA grade sterling corporate bond yields at the balance sheet date. Overall expected rates of return are established by applying published brokers forecasts to each category of scheme assets. The expected rate of return on scheme assets is derived as an average, weighted according to the portfolio allocation at the balance sheet date. The expected rates of return on each class of asset are shown below. Pensioner mortality assumptions are based on the 'P00 series' tables, issued by the Institute and Faculty of Actuaries, with medium cohort improvements and a two year age rating. On 8 July 2010, the Government announced that the Consumer Prices Index ("CPI") would be the inflation measure for statutory defined benefit pension increases instead of the Index of Retail Prices ("RPI").This change applies both to the revaluation of deferred pensions and to the increases applicable to pensions in payment.

The Group is currently assessing its obligations arising from the equalisation of retirement ages for certain members of its defined benefit pension scheme required by the Barber judgement in May 1990, commonly referred to as "Barber window" obligations. Further detail is provided in note 31.

33 pensions continued

The amounts recognised in the income statement in respect of defined benefit schemes are as follows:

	2011 £m	2010 £m
Expected return on scheme assets	**1.6**	1.4
Interest cost on scheme liabilities	**(1.9)**	(2.0)
Other finance costs (note 9)	**(0.3)**	(0.6)

The net finance cost is reported within interest expense.

The amounts taken to the statement of comprehensive income are as follows:

	2011 £m	2010 £m
Actual return on scheme assets	**1.0**	6.3
Less: expected return on scheme assets	**(1.6)**	(1.4)
Actuarial (losses)/gains on scheme assets	**(0.6)**	4.9
Actuarial gains/(losses) on scheme liabilities	**0.9**	(5.4)
Deferred tax liability on fund surplus	**(0.7)**	–
Actuarial losses recorded in the statement of comprehensive income	**(0.4)**	(0.5)

Since the date of transition the cumulative value of actuarial gains and losses recorded in the statement of comprehensive income is £4.4m loss (2010: £4.0m loss).

The fair value of assets and expected rates of return are used to determine the amounts recognised in the balance sheet as follows:

	2011	2011 £m	2010	2010 £m
Equities	**6.7%**	**15.0**	7.2%	14.9
Gilts	**3.7%**	**13.9**	4.2%	13.9
Cash	**0.0%**	**0.2**	0.0%	0.5
Fair value of scheme assets		**29.1**		29.3
Present value of funded defined benefit obligations		**(34.6)**		(34.8)
Liability recognised in the balance sheet		**(5.5)**		(5.5)

Changes in the present value of the defined benefit obligation are as follows:

	2011 £m	2010 £m
Opening defined benefit obligation	**34.8**	29.4
Net interest cost	**1.9**	2.0
Actuarial (gains)/losses on scheme liabilities	**(0.9)**	5.4
Adjustment for onerous minimum funding requirement	**0.7**	–
Benefits paid	**(1.9)**	(2.0)
Closing defined benefit obligation	**34.6**	34.8

33 pensions continued

Changes in the fair value of the scheme assets are as follows:

	2011 £m	2010 £m
Opening fair value of scheme assets	**29.3**	23.7
Expected returns on scheme assets	**1.6**	1.4
Actuarial (losses)/gains on scheme assets	**(0.6)**	4.9
Contributions	**0.7**	1.3
Benefits paid	**(1.9)**	(2.0)
Closing fair value of scheme assets	**29.1**	29.3

History of experience gains and losses

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	**29.1**	29.3	23.7	27.9	30.5
Defined benefit obligations	**(34.6)**	(34.8)	(29.4)	(31.7)	(37.9)
Deficit in the scheme	**(5.5)**	(5.5)	(5.7)	(3.8)	(7.4)
Experience adjustments on scheme assets	**(0.6)**	4.9	(5.5)	(2.2)	(0.4)
Experience adjustments on scheme liabilities	**0.8**	0.9	(0.2)	(0.6)	1.3

34 related party disclosures

The Group's principal subsidiaries are listed in the following table:

Name and nature of business	Country of incorporation and registration	Type of share	Group effective shareholding held by Parent Company	Group effective shareholding held by Subsidiary Undertakings
Agency, marketing and distribution				
Acal BFi UK Ltd	England	Ordinary Shares	–	100%
Acal BFi Central Procurement UK Ltd	England	Ordinary Shares	–	100%
Computer Parts International Ltd	England	Ordinary Shares	–	100%
Acal Supply Chain Ltd	England	Ordinary Shares	–	100%
Stortech Electronics Ltd	England	Ordinary Shares	–	100%
Vertec Scientific Ltd	England	Ordinary Shares	–	100%
Vertec Scientific SA	South Africa	Ordinary Shares	–	100%
Acal BFi Belgium NV/SA	Belgium	Ordinary Shares	–	100%
Acal BFi Germany GmbH	Germany	Ordinary Shares	–	100%
EAF Computer Service Supplies GmbH	Germany	Ordinary Shares	–	100%
Acal BFi Nordic AB	Sweden	Ordinary Shares	–	100%
Acal BFi Netherlands BV	Netherlands	Ordinary Shares	–	100%
Acal BFi Italia Srl	Italy	Ordinary Shares	–	100%
Acal BFi Iberia SL	Spain	Ordinary Shares	–	100%
Acal BFi France Holdings SAS	France	Ordinary Shares	–	100%
Acal BFi France SAS	France	Ordinary Shares	–	100%
CompoTron GmbH	Germany	Ordinary Shares	–	100%
CompoTron UK Limited	England	Ordinary Shares	–	100%
Management services				
Acal Management Services Ltd	England	Ordinary Shares	100%	–

All subsidiaries operate in their country of incorporation. All subsidiaries have a 31 March year end and have the same voting rights as the effective interest.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant year:

34 related party disclosures continued

Associates

	Sales to related parties £m	Amounts owed by related parties £m
2010/11	**–**	**–**
2009/10	0.1	–

Associate undertakings

For details of the Group's investments in associates see note 19.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Directors Remuneration report on pages 29 to 33.

	2011 £m	2010 £m
Short term employee benefits	**0.7**	0.5
Termination benefits	**–**	0.3
Share based payments	**0.2**	0.2
	0.9	1.0

Terms and conditions of transactions with related parties

All transactions with related parties were on an arm's length basis. Outstanding balances at year-end are unsecured and settlement occurs in cash.

Transactions with other related parties

Details of transactions with Directors are detailed in the Remuneration report on pages 29 to 33.

35 events after the balance sheet date

A final dividend of 5.14p per share (2010: 4.67p) amounting to a dividend of £1.5m (2010: £1.3m) was declared by the Directors at their meeting on 26 May 2011. These financial statements do not reflect this dividend payable.

Acquisition of Hectronic AB

On 1 June the Company announced the acquisition of 100% of Hectronic AB ("Hectronic"), for cash consideration of £1.2m (sek12m) before expenses and net debt acquired. Hectronic has been acquired from the majority shareholder, Verdane Capital III AS, a private equity company in the Nordic region. The cash consideration will be paid from the Group's existing cash resources.

Hectronic is a specialist provider of embedded computing technology to industrial electronic markets. Based in Sweden, with annual sales of around £7m, Hectronic employs 28 staff and generates revenues across the Nordic region. The company will form a separate business unit within Acal's Electronics division and will retain its strong independent brand identity. The acquisition is expected to be earnings neutral for this year and earnings enhancing from then on.

36 exchange rates

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the period and balance sheets are translated at period end rates. The main currencies are the US dollar and the Euro. Details of the exchange rates used are as follows:

	Year to 31 March 2011		Year to 31 March 2010	
	Closing rate	**Average rate**	Closing rate	Average rate
US dollar	**1.608**	**1.556**	1.517	1.597
Euro	**1.132**	**1.177**	1.121	1.129

acal plc

company financial statements
for the year ended 31 march 2011

report of the auditors

Independent auditor's report to the members of Acal plc

We have audited the parent company financial statements of Acal plc for the year ended 31 March 2011 which comprise the Company Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 35, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Other matter

We have reported separately on the group financial statements of Acal Plc for the year ended 31 March 2011.

Andy Glover (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 June 2011

Notes:

1. 1. The maintenance and integrity of the Acal plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

company balance sheet

at 31 March 2011

	notes	2011 £m	2010 £m
Fixed assets			
Investments	4	**79.0**	91.6
Current assets			
Debtors	5	**4.3**	2.9
Cash at bank and in hand		**3.2**	7.6
Total current assets		**7.5**	10.5
Creditors: Amounts falling due within one year	6	**(20.7)**	(34.8)
Net current liabilities		**(13.2)**	(24.3)
Total assets less current liabilities		**65.8**	67.3
Net assets		**65.8**	67.3
Capital and reserves			
Share capital	7	**1.4**	1.4
Share premium	8	**40.7**	40.6
Merger reserve	8	**3.0**	3.0
Profit and loss account	8	**20.7**	22.3
Shareholders' funds	8	**65.8**	67.3

These financial statements were approved by the Board of Directors on 1 June 2011 and signed on its behalf by:

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

notes to the company financial statements

1 basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

2 summary of significant accounting policies

Income recognition

Dividend income is recognised when the company's right to receive payment is established.

Fixed asset investments

Investments in subsidiary and associate undertakings are stated initially at cost, being the fair value of the consideration given and including directly attributable transaction costs. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Financial assets

Investments are initially recognised at cost, being the fair value of the consideration given and including directly attributable transaction costs associated with the investment.

After initial recognition, investments in equity shares are treated as available for sale financial assets and are measured at their fair value with any gains or losses recognised in equity. When the investment is derecognised or impaired, the cumulative gain or loss previously reported in equity is included in the profit and loss account.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably valued are measured at cost.

At each balance sheet date, the Company reviews the carrying value of its assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists or when annual testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Dividends

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when approved by the shareholders in general meeting, and in relation to interim dividends, when paid.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with the effective interest rate method.

Share-based payment schemes

In preparing the financial statements the Company has also applied FRS 20 'Share-based payment'. Although the Company does not incur a charge under this standard, the issuance by the Company to its subsidiaries of a grant over the Company's options represents additional capital contributions by the Company in its subsidiaries. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

3 profit of the parent company

The profit of the parent company for the financial year amounted to £0.1m (2010: £0.7m). By virtue of section 408 of the Companies Act 2006, the Company is exempt from presenting a separate profit and loss account.

4 fixed asset investments

	Subsidiary undertakings £m
At 1 April 2009	86.4
Additions	5.2
At 31 March 2010	91.6
Share based payments	0.3
Disposals	(12.9)
At 31 March 2011	**79.0**

Subsidiary undertakings disposed were to other group companies.

Details of the principal subsidiary and associate undertakings are provided in notes 34 and 19 respectively of the Group accounts.

5 debtors

	2011 £m	2010 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**3.8**	2.6
Corporation tax	**0.4**	0.1
Deferred tax	**0.1**	0.1
Prepayments	**–**	0.1
	4.3	2.9

The deferred tax asset arises due to temporary timing differences.

6 creditors

	2011 £m	2010 £m
Amounts falling due within one year:		
Bank loans and overdrafts	**0.4**	0.3
Amounts owed to subsidiary undertakings	**19.7**	33.0
Other creditors	**0.1**	1.0
Accruals and deferred income	**0.5**	0.5
	20.7	34.8

7 share capital

Authorised	**2011 Number**	**2011 £m**	2010 Number	2010 £m
Ordinary shares of 5p each	**44,000,000**	**2.2**	44,000,000	2.2

Alloted, called up and fully paid	**2011 Number**	**2011 £m**	2010 Number	2010 £m
Ordinary shares of 5p each	**28,479,804**	**1.4**	28,418,354	1.4

During the year the Company issued 61,450 (2010: 2,000,000) shares at a price of £2.705 (2010: £1.35) per share.

At 31 March 2011 there were outstanding options for employees of subsidiaries to purchase up to 1,768,201 (2010: 1,283,488) ordinary shares of 5p each between 2011 and 2021 at prices ranging from £nil per share to £4.8 per share. During the year to 31 March 2011 no options were exercised by employees under the terms of the various share option schemes (2010: none).

8 reconciliation of shareholders' funds and movements on reserves

	Share capital £m	Share premium £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2009	1.3	38.0	3.0	23.2	65.5
Shares issued	0.1	2.6	–	–	2.7
Profit for the year	–	–	–	0.7	0.7
Dividends paid to shareholders	–	–	–	(1.6)	(1.6)
At 31 March 2010	1.4	40.6	3.0	22.3	67.3
Shares issued	–	0.1	–	–	0.1
Profit for the year	–	–	–	0.1	0.1
Share-based payment transactions	–	–	–	0.3	0.3
Dividends paid to shareholders	–	–	–	(2.0)	(2.0)
At 31 March 2011	**1.4**	**40.7**	**3.0**	**20.7**	**65.8**

9 related parties

The Company has taken advantage of the exemption given in FRS 8 not to disclose transactions with other Group companies.

10 share-based payments

For detailed disclosures of share-based payments granted to the employees of subsidiaries refer to Acal plc consolidated accounts, note 32.

11 contingent liabilities

The parent company has given guarantees and offset arrangements to support bank facilities made available to subsidiary undertakings. As at 31 March 2011 the relevant subsidiary bank borrowings amounted to £6.7m (2010: £2.2m).

five year record

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Group income statement					
Turnover – continuing operations	**264.8**	181.6	165.4	159.5	164.5
Profit/(loss) before tax, goodwill and exceptionals	**6.3**	(1.6)	0.5	6.1	5.1
Exceptionals	**(4.4)**	(4.7)	(33.1)	(3.5)	(1.4)
Profit/(loss) before tax	**1.9**	(6.3)	(32.6)	2.6	3.7
Tax	**(0.2)**	(0.3)	(4.4)	(2.1)	(1.2)
Profit/(loss) after tax from continuing operations	**1.7**	(6.6)	(37.0)	0.5	2.5
Discontinued operations	**–**	–	–	27.4	9.4
Profit/(loss) for the year	**1.7**	(6.6)	(37.0)	27.9	11.9
Attributable to:					
Equity holders of the parent	**1.7**	(6.6)	(37.1)	27.9	11.7
Minority interests	**–**	–	0.1	–	0.2
Group balance sheet					
Net cash/(debt)	**6.7**	13.9	24.5	25.6	(5.4)
Equity shareholders' funds	**51.3**	51.9	58.2	100.7	75.8
Statistics					
Earnings/(loss) per ordinary share	**6.0p**	(24.5)p	(140.5)p	105.7p	44.4p
Dividends per share – relating to the period	**7.47p**	7.0p	7.0p	21.9p	21.9p
Working capital as percentage of sales*	**12%**	13%	15%	13%	9%

* Working capital is defined as net inventory, trade receivables and other receivables less trade payables and other payables.

principal locations

Acal is a European specialist provider of technology products and services. With operations in eleven countries across Western Europe, and in South Africa, the business operates in clearly defined market niches where customers appreciate the added value that comes from high levels of technical support and customised solutions.

Country	Company/division	Locations
electronics		
United Kingdom	Acal BFi UK Ltd	Wokingham, Milton Keynes
	Acal BFi Central Procurement UK Ltd	Wokingham
	Stortech Electronics Ltd	Harlow
	Compotron UK Ltd	Swindon
Belgium	Acal BFi Belgium NV/SA	Brussels
France	Acal BFi France SAS	Evry
Germany	Acal BFi Germany GmbH	Dietzenbach, Munich
	Compotron GmbH	Munich
Italy	Acal BFi Italia Srl	Milan
Netherlands	Acal BFi Netherlands BV	Eindhoven, Alphen an den Rijn
Sweden	Acal BFi Nordic AB	Stockholm, Uppsala
	Hectronic AB	Uppsala
Norway	Acal BFi Nordic AB	Honefoss
Finland	Acal BFi Nordic AB	Helsinki
Denmark	Acal BFi Nordic AB	Copenhagen
Spain	Acal BFi Iberia SLU	Madrid
supply chain		
United Kingdom	Acal Supply Chain Ltd	Warrington, Nottingham
Germany	EAF Computer Service Supplies GmbH	Goch
medical		
United Kingdom	Vertec Scientific Ltd	Silchester
South Africa	Vertec Scientific SA (pty) Ltd	Johannesburg

Further details of the Group's locations can be found on the Acal plc website

www.acalplc.co.uk

acal plc
25th anniversary
1986-2011

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