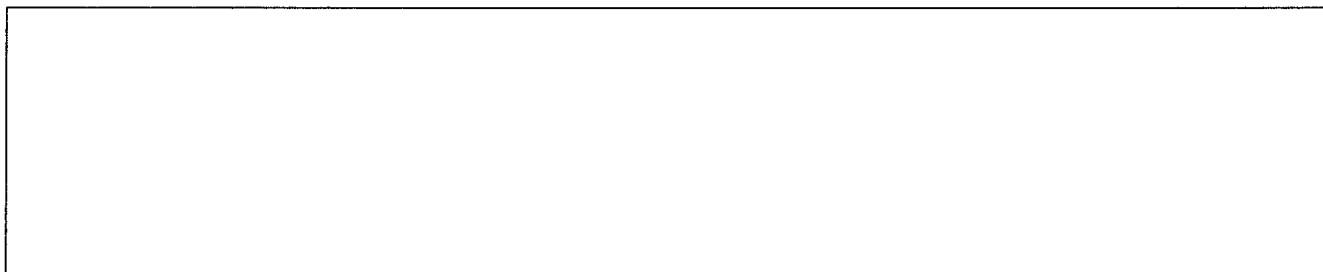




Annual Report and Accounts
for the year ended 31 March 2014

electronics for industry



consult. design. integrate.



Acal is a specialist electronics group supplying niche electronics to industrial manufacturers and the healthcare sector. The Group operates a number of businesses, which supply and create individual product solutions to meet specific customer needs.

Acal is well positioned, with the infrastructure to deliver a complementary range of specialist products and bespoke solutions across Europe, as well as in Asia and Africa. The Group's businesses comprise Acal BFi, Hectronic, MTC, Myrra, RSG, Stortech, and Vertec, of which Acal BFi is the largest. Approximately 70 per cent of the Group's revenues are generated from the major economies of Europe.

Having completed seven acquisitions in the last five years, Acal has more than trebled its specialist electronics revenues. These acquisitions have expanded both its design and manufacturing capabilities, as well as its specialist distribution offering.

The Group strategy is to further enhance Acal's leading position in the specialist electronics business through organic growth, the acquisition of complementary businesses and the realisation of value enhancing synergies.

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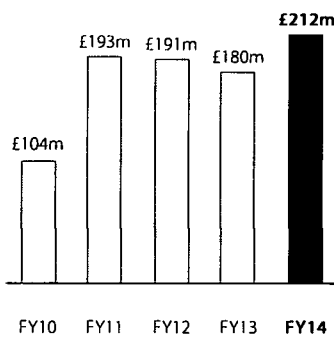
Key performance indicators

In executing our strategy, the Group has a number of core operational objectives (see page 5)

Electronics ongoing⁸ sales (CER)³

+19%

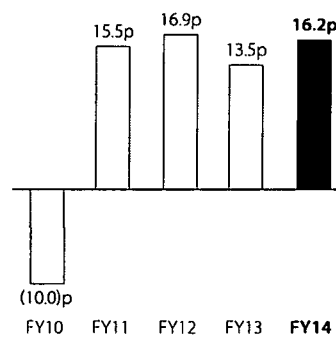
CAGR over 4 years



Underlying diluted EPS¹

+20%

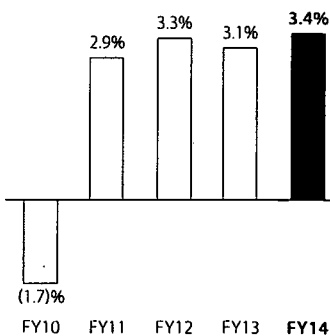
over last year



Underlying operating margin¹

+0.3 ppts

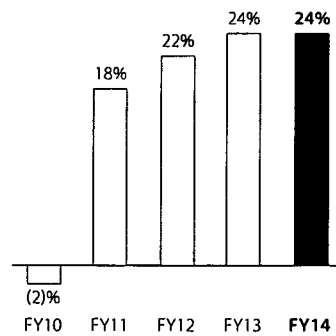
over the last year



ROTCE⁷

+5.7 ppts

increase over 3 years

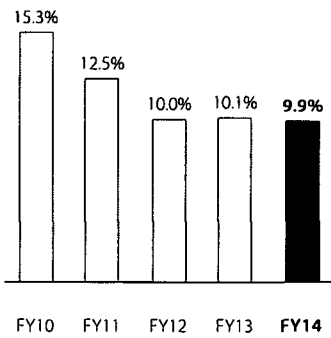


See inside back cover for the notes to the operating performance and financial highlights.

Working capital/ongoing sales

+5.4ppts

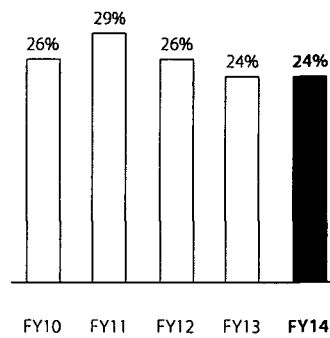
improvement over 4 years
with £11.9m cash released



Return on investment
consistently ahead of

15%

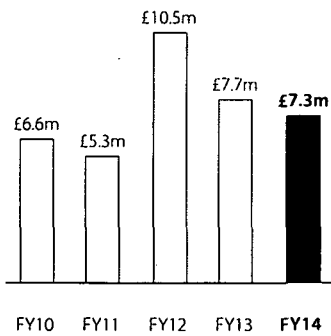
group target



Free cash flow^s

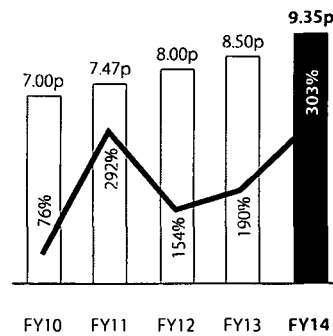
124%

of underlying operating profit
over 5 years



TSR growth (since FY09)
and dividend per share

>300% TSR growth
and 34% dividend growth
over last 5 years



Highlights

Strong growth, announcement of major acquisition and rights issue

Operating performance

	FY 2013/14			FY 2012/13			Growth
	Continuing operations	Discontinued operations ²	Total	Continuing operations	Discontinued operations ²	Total	Continuing operations
Revenue	£211.6m	£17.9m	£229.5m	£177.4m	£41.8m	£219.2m	+17% ³
Underlying operating profit ¹	£7.1m	£1.3m	£8.4m	£5.5m	£1.4m	£6.9m	+29%
Underlying profit before tax ¹	£6.3m	£1.3m	£7.6m	£5.0m	£1.3m	£6.3m	+26%
Underlying diluted EPS ¹	16.2p	3.6p	19.8p	13.5p	4.0p	17.5p	+20%
Fully diluted EPS	11.1p	(7.7p)	3.9p	7.1p	(14.0p)	(6.7p)	
Full year dividend per share	9.35p			8.50p			+10%

The above results reflect the Supply Chain Division as a discontinued operation following the announced sale of its last remaining business. The commentary on the performance of the Group in these preliminary results relates to the continuing operations of the Group, unless otherwise stated.

- **Performing ahead of the broader market**
- **Continuing progress in Electronics**
 - Orders up 21% CER³ and up 4% on a like-for-like⁴ basis
 - Sales up 17% CER and up 2% on a like-for-like basis
 - Underlying operating profit (continuing operations) up 29%
 - Free cash flow⁵ of £7.3m being 103% of underlying operating profit
 - 37% increase in order book, and up 11% on a like-for-like basis
- **Organic growth initiatives delivering results**
 - Cross-selling generated £3.5m sales in the year
 - Growth in lead generation from new web platform throughout the year
- **Building expertise through selective acquisitions**
 - Successful acquisitions of Myrra, YEG and RSG⁶ (upfront cash consideration of £12.5m)
 - Proposed acquisition of the Noratel Group announced today for £73.5m (debt free/cash free basis) to be funded by a proposed £55m rights issue and a new five year revolving Group credit facility
- **Completing the exit from non-core businesses**
 - Discontinuance of the Supply Chain Division² with the disposals of its European Parts business for £3.7m (completed 11 November 2013) and its Enterprise business for £6.0m (completed 2 June 2014)

See inside back cover for the notes to the operating performance and financial highlights.

Chairman's statement

The Group's results for the year reflect the progress which has been made

Richard Moon Chairman

Progress

I am pleased to report a year of good performance, delivering robust growth and enhanced value for shareholders. The Group has continued to implement its strategy, established in 2009, to build a leading specialist electronics business, and this year saw a return to organic growth following two very challenging years, as well as expanding its electronics design and manufacturing capabilities through further acquisitions.

Enhancing organic performance is a key priority for the Company and, through the year, the Group started to see the first positive results of previous years' investment in growth initiatives, including its web infrastructure and cross-selling capabilities.

Acquisitions are also a key priority, with three having been completed in the year. The Board sees targeted acquisitions as an important additional contributor to long term growth and increasing shareholder value by enhancing the Group's capabilities, geographic reach and customer base. Together with the announcement today of the proposed acquisition of the Noratel Group, and with various opportunities in development, the Board is confident of further organic and acquisitive growth in the years ahead.

Finally, Acal has recently completed its exit from the non-core Supply Chain division through the sale of its two remaining businesses, as the Group seeks to focus wholly on its specialist electronics business and to further establish itself as a leading player in this market.

Results

The Group's results for the year for continuing operations reflect the progress which has been made, with strong growth in underlying operating profit and earnings per share.

Group revenue for the year was up 17% CER to £212m and up 2% on a like-for-like basis.

Underlying operating profit of £7.1m was up 29% (£1.6m) with underlying profit before tax up 26% (£1.3m) to £6.3m.

Including net exceptional costs of £0.7m, amortisation of acquired intangible assets of £1.0m and an IAS19 legacy pension charge of £0.4m, reported profit before tax was £4.2m, £3.5m higher than last year.

Underlying diluted earnings per share were 16.2p, up 20% on last year. Including underlying adjustments, fully diluted earnings per share on continuing operations was 11.1p, up 4.0p on last year. There was a fully diluted loss per share on discontinued operations of 7.7p, mainly arising from a £3.3m goodwill impairment within the discontinued business, giving combined total earnings per share of 3.9p.

The Group has a strong balance sheet, with net cash from continuing operations of £1.8m and local committed working capital and debt facilities at 31 March 2014 totalling £24m. These facilities will be refinanced by a new five year £70m Group wide facility if the Noratel Group acquisition is completed.

Chairman's statement continued

Proposed acquisition of the Noratel Group

The Board is pleased to announce today the proposed acquisition of the Noratel Group for NOK 735m (£73.5m) on a debt free/cash free basis. This major acquisition for the Group, which would be funded by a proposed £55m rights issue, along with funds drawn down under a £70m new Group facility, brings further specialist design and manufacturing skills into the Group, building on the already successful Myrra and Acal BFi electromagnetic businesses.

With a complementary customer base and product range, the Board believes the Noratel Group will be an excellent fit with the existing Acal businesses and customers, creating opportunities for organic growth throughout the enlarged customer base and geographies.

The Board believes that the acquisition and the rights issue are in the best interests of the Company and shareholders. It therefore recommends that shareholders vote in favour of this transaction at the Company's general meeting on 23 June 2014. Further details of the rights issue and acquisition are set out in the Company's circular and prospectus which is expected to be posted to shareholders in due course.

Dividends

It is the Board's intention to maintain a progressive dividend policy wherever practical to do so. Accordingly, the Board is recommending an increase in the final dividend of 14% to 6.85 pence per share (H2 2012/13: 6.0 pence), giving a full year dividend increase of 10% to 9.35 pence per share; a cover of 1.7 times on an underlying basis. In total, the dividend has been increased by 34% over the last four years. Over the medium term, it is the Board's intention to maintain dividend cover in the range of two to three times underlying earnings.

The dividend is payable on 31 July 2014 to shareholders on the register as at 13 June 2014.

Board changes

I am pleased to report on the good progress that we have made in refreshing the Board and its committees.

Following the retirement of Eric Barton in July 2013, Richard Brooman, who joined the Board in January 2013, became Chairman of the Audit Committee on 26 July 2013, and also a member of the Remuneration Committee on 1 January 2014. Henrietta Marsh, who joined the Board in May 2013, also joined the Remuneration Committee on 29 May 2013 and the Audit Committee on 1 January 2014.

Employees

As always, our performance is dependent upon our employees, who have responded to the multiple challenges put their way by both market and operational conditions with professionalism and commitment. We continue to encourage an ambitious and entrepreneurial environment, and are grateful to our employees for their continuing dedication. I would also like to welcome those who joined the Group during the year, and on behalf of the Board to thank them all.

The year ahead

The Group is building a business that is differentiated, successful and ambitious. With further opportunities and initiatives underway, the Board remains confident that our strategy and its implementation will continue to deliver performance ahead of the wider market and further build value for the Company's shareholders.

Richard Moon
Chairman
5 June 2014

Business model

Acal is a specialist electronics group supplying niche electronic products

Acal is a specialist electronics group supplying niche electronic products to industrial manufacturers and the healthcare sector throughout Europe and increasingly, internationally. The Group operates a number of businesses, which supply and create individual product solutions to meet specific customer needs. Over the last five years, the Group has acquired seven niche electronics businesses. Additionally, it has disposed of all five of the IT Spare Parts businesses from its Supply Chain Division, with the Division treated as a discontinued operation in the Group financial statements. Today, Acal is well positioned, with an infrastructure to deliver a complementary range of specialist products and bespoke solutions across Europe, as well as in Asia and Africa.

Industrial customer base

Our customers develop and manufacture innovative products in the general industrial, healthcare, communications, renewable energy, transportation, automotive, aerospace and defence sectors. Acal businesses support customers by providing specialist technical design capability across a range of products, helping them to fulfil their design ambitions.

Most products are supplied to meet customers' manufacturing demand. As such, there is a significant proportion of recurring demand for future months and, in some cases, several years. Shorter term revenue levels are determined by customers' levels of production demand, as well as by the release into production of new projects and their subsequent demand levels. Longer term, markets and demand levels are determined by the range of differentiated technologies and specialist products.

With around 20,000 customers, mostly throughout Europe, the business has the size and infrastructure to provide specialist engineering support across a range of products and countries that is difficult for smaller companies to provide economically.

Our markets and customers' product offerings often rely on differentiated technology as key drivers for their new product innovation. Technology therefore continues to be adopted into industrial markets at a rate ahead of overall GDP.

Specialist products

The Group supplies specialist electronic products which require a high degree of technical knowledge as part of the sales process. Adopting a consultative sales approach, engineers develop technical solutions which meet customers' specific application requirements.

Solutions range from the recommendation of an existing product, through modification of existing products, up to full design and development of a custom solution. In some cases, solutions involve the integration of suppliers' products into end-unit design assemblies.

The sales engineers are technically knowledgeable, and supported by in-house application and design engineers. By developing solutions which are specific and highly valued by customers, the business is able to generate attractive and sustainable margins.

Distribution, design & manufacturing

The Group comprises a number of specialist businesses (Acal BFi, Hectronic, MTC, Myrra, RSG, Stortech and Vertec, of which Acal BFi is the largest), operating in distribution, design and manufacturing.

The distribution businesses have a number of key suppliers with whom they work, often exclusively, to develop innovative customer solutions, which are frequently customised and unique.

The design and manufacturing businesses design products in-house and manufacture them either internally or externally.

Both types of businesses have design, customisation and development capabilities.

All Group businesses have three things in common:

- They sell niche products to industrial manufacturers
- The products require a high level of technical knowledge to facilitate and achieve sales
- A significant proportion of sales come from customised solutions

Group strategy

The Group strategy is to build our position in the specialist electronics market

With both specialist distribution and a growing proportion of design and manufacturing businesses, this is being achieved through organic growth, acquisition and the realisation of synergies.

Organic growth

The Group seeks to deliver organic growth ahead of GDP over the economic cycle. This is achieved through growth in the number and value of customer projects, the cross-selling of other Group products into existing customers and the acquisition of new customers.

The Group operates across twelve specialist technology groups. Each technology group employs a team of specialist sales and support engineers, whose role is to identify and develop customer opportunities. Through the launch of the website, the business is able to present to a wider

audience than before, the full range of products and capabilities on offer, whilst the business is more accurately able to identify and develop particular product and application areas of interest.

During the year, like-for-like Electronics sales and orders grew by 2% and 4% respectively, with the order book for future delivery increasing by 11% on a like-for-like basis.

Acquisitions

The Group seeks to acquire well-established, niche electronics businesses which have the potential for further organic growth, as well as benefiting from cross-selling and operational synergies through the Group's existing infrastructure.

During the year, £12.5m was invested in the acquisitions of Myrra (design and manufacture), the trade and assets of YEG

(specialist distribution) and RSG (specialist distribution, design and manufacture). All three acquisitions were immediately value enhancing.

Synergies

The Group seeks to realise value enhancing synergies, both in sales and in operations, through the acquisition of complementary businesses. The level and form of synergies vary, according to the circumstances.

Operating synergies are achieved through the integration of, for example, office and warehouse facilities, manufacturing capabilities, IT systems and common purchasing, freight and logistics.

The integration of YEG into Acal BFi was completed following the year end, and Myrra assumed production of certain existing custom products for Acal BFi, which were previously produced by a third party.

Core operational objectives

In executing this strategy, the Group has a number of core operational objectives

Sales growth ahead of GDP over the business cycle

Electronics sales in the year grew by 17% at constant exchange rates ("CER"). On a like-for-like basis, organic sales for the year grew by 2%, with a 1% reduction in the first half of the year accelerating in the second half to 4% enhanced by the delivery of a number of large orders. Over a similar period, GDP in the UK & Europe grew by around 0.3%.

Develop sustainable & attractive operating margins

The Group's underlying operating margin (EBIT) improved to 3.4% from 3.1%, with the second half reporting 3.7%, up from 3.2%. Our objective remains to achieve and exceed 5% Group underlying operating margin in the medium term. With increasing volumes seen in the last year in the existing businesses, combined with continuing tight control of operating expenses, the Group believes it is on track to achieve this objective. Further acquisitions, and the realisation of synergies from such acquisitions, are expected to accelerate progress towards this goal.

Create value through efficient and effective use of capital

Return on trading capital employed (ROTCE) was 24% for the year (24% last year), slightly below the Group target of 25%. The Group continues to achieve well above average working capital efficiency, with working capital at 9.9% on annualised second half continuing sales, reducing from 10.1% last year.

Acquisitions which enhance earnings

Accelerating growth through acquisitions is an important part of the Group strategy and is expected to further enhance the Group's medium and long term performance. Our objective is to achieve a Return on Investment ("ROI") of at least 15% after including acquisition and integration costs. Seven businesses have been acquired over the last five years and these acquisitions have generated an ROI of 24% in the current year. Three acquisitions were completed during the year, with total upfront consideration of £12.5m.

Growth in cash flow to fund future acquisitions, organic growth and dividend growth

The Group targets free cash flow exceeding 60% of underlying operating profit over the cycle. Free cash flow this year was £7.3m (103% of underlying operating profit) with £37.4m generated over the last five years (124% of underlying operating profit over that period).

Enhancing shareholder value

Total Shareholder Return ("TSR") is targeted to be above the median and ideally within the upper quartile, when compared with the constituents of the FTSE Small Cap Index. In the five year period ended 31 March 2014, TSR grew by 303%, being in the top 30th percentile compared with the FTSE Small Cap Index.

The Group has a progressive dividend policy, with the intention to maintain dividend cover at two to three times underlying earnings. This year's full year dividend has been increased by 10%, for a total increase of 34% in the last five years.

Operating review

Organic performance returned to growth and operating margins have further improved

Operating performance

Group underlying operating profit was £7.1m, being 29% higher than the prior year. The improved performance was driven primarily by increasing volumes, the contribution from the acquisition of the Myrra Group and tight control of costs. Group revenue grew by 17% CER, and 2% on a like-for-like basis.

Underlying operating margin grew to 3.4% from 3.1%, and, in the second half to 3.7% from 3.2%, driven by increased volumes, both through acquisitions and organically, and tightly controlled operating expenses.

Electronics division

Underlying operating profit was £11.4m, up by £1.9m on last year. This was driven by sales growth of 17% CER (2% excluding acquisitions).

Orders

At CER, orders grew by 21% for the year, with 16% growth in the first half and 25% growth in the second half. Excluding acquisitions, the Division achieved organic growth of 4% in both halves. Business conditions improved steadily through the year with signs of improving confidence amongst customers, although not yet widespread across all markets and technology areas.

The organic recovery in orders continued to be led by the major markets of France (+23%), Italy (+15%) and Germany (+5%) with a relatively high proportion of export led customer demand. The year saw a number of large orders, which we believe are indicators of growing customer confidence. These orders were for the delivery period mainly covering this year and next. The forward order book grew by 37% in the year to £64m, of which organic growth accounted for 11%.

The book to bill ratio for the year was 1.04, with 1.02 reported in the first half and 1.07 in the second half. This compares favourably with last year's ratio of 1.00 (H1 2012/13: 0.99; H2 2012/13: 1.02).

Nick Jefferies Group Chief Executive

Revenues

At CER, revenues for the year grew by 17%, 2% on a like-for-like basis. The second half of the year saw growth of 22%, 4% on a like-for-like basis, having declined by 1% organically in the first half.

The accelerating organic sales growth in the second half was led by the recovery in the major Eurozone economies. Sales in Germany grew by 13%, Italy by 13% and France by 10%. Sales in Spain continued to decline (by 11%), whilst other countries showed trend improvements over the prior year, albeit still with marginally negative growth rates. The UK, which has been significantly more stable than other countries over recent years, recovered less quickly, experiencing a 3% reduction in second half sales.

The IDEA index for European distribution of electronic components reported growth in orders (excluding semiconductors) of 2% during the year. Acal's Electronics business compares favourably with this, reporting 4% on a like-for-like basis, representing the fourth consecutive year of market share gains. Whilst market share is not a key measure, it is a useful indicator of progress.

Gross profit

Gross profit was up 14% CER. This was lower than the corresponding revenue growth rate of 17%, due to a reduction in gross margin arising mainly from short term changes in product sales mix, which started to reverse in the final quarter.

Operating costs

Divisional underlying operating costs increased by 12% CER, reflecting the addition of the Myrra, YEG and RSG cost bases. Like-for-like underlying operating costs were down 1%, as the Group continues to manage its cost base tightly. Underlying operating costs for the period include £0.7m of web operating costs not included last year, reflecting our new web marketing initiatives. Including these costs for last year, like-for-like underlying operating costs were down 2%. The Group will continue to seek further sustainable efficiencies within the businesses to assist the Group in delivering its medium term objective of 5% underlying operating margin.

Operating review continued

Continuing operations

	2013/14			2012/13			
	Revenue	Underlying operating profit ¹	Margin	Revenue	Underlying operating profit	Margin	CER revenue growth ²
	£m	£m	%	£m	£m	%	
Electronics	211.6	11.4	5.4%	177.4	9.5	5.4%	17%
Central costs	-	(4.3)		-	(4.0)		
	211.6	7.1	3.4%	177.4	5.5	3.1%	17%

¹ Underlying operating profit excludes exceptional items, amortisation of acquired intangible assets and IAS19 pension charge related to the legacy defined benefit scheme

² Revenue growth at constant exchange rates

Underlying operating profit and margin

Underlying operating profit of £11.4m was £1.9m higher than last year (£2.6m higher when adjusted for web operating costs not included last year). Underlying operating margins were in line with last year at 5.4%. Adjusting last year for these web operating costs reflects an increase in operating margin of 0.3ppts.

Both organic growth and the contributions from acquisitions led to the rise in profitability in the year. Whilst the acquisitions of Myrra and RSG were earnings enhancing from day one, YEG was initially loss making. Following integration into Acal BFi in April 2014 (see 'Acquisitions' below), the business is now generating acceptable and sustainable levels of profitability, and is expected to be earnings enhancing in the coming year.

Website

In January 2013, the new Acal BFi website was launched in the UK and rolled out throughout Europe (Germany, France, Italy, Netherlands, Belgium, Sweden and Spain) over the ensuing six months. The platform creates a new marketing channel, through which to reach and communicate with both existing and new customers, with the aim of increasing customer attraction, retention and cross-selling.

Acal's new website has created a portal, through which customers can view data and information on almost 100,000 products and product variants, as well as make contact with Acal's sales engineers. Visitor patterns are carefully monitored to help our sales engineers better understand the way that existing and potential customers go about procurement. Visit rates to the website have increased significantly, and around two thirds are potential new customers or are new contacts within existing customer companies. There are now consistently over 10,000 weekly unique visits to the website highlighting the size of the opportunity in web marketing. This level of activity indicates the importance of the web in communicating our offer and generating new business. As typical project cycles are around twelve to eighteen months in development, there is a delay before material income streams from the web start to come through.

Activities are also underway to display products from the Group's acquired businesses on the Acal BFi website. For example, over 2,000 product variants from Myrra are now visible.

In parallel with the web roll-out, a common sales Customer Relationship Management (CRM) system was introduced to all Acal BFi countries across Europe, with the exception of Italy and Spain which will be implemented in this coming year. With the website now integrated into the CRM system, which in turn is integrated into the Oracle ERP system, opportunity tracking, development and order processing are now more efficient than ever. Over time, we expect this will lead to a more efficient sales and customer support infrastructure.

Cross-selling

Cross-selling initiatives aim to sell more products to existing customers, and to create more valuable customer relationships, both between acquired businesses and within Acal BFi. In Acal BFi, the largest business in the Group by revenue, there are eight technology groups. Most customers purchase from one or two technology groups. The cross-selling programme aims to increase this by selling existing products from other technology groups, as well as by introducing complementary products from newly acquired businesses. Between acquired businesses, the cross-selling programme introduces and aims to sell complementary products from other Group companies to their existing customers.

During the year, the cross-selling programme in Acal BFi delivered incremental sales of £3.5m, an increase of £1.5m from that reported at the time of the first half results. Given the relatively long project cycles for such initiatives to deliver results, this is a pleasing outcome in the first year of measurable progress. Additionally, cross-selling initiatives are underway between acquired businesses, with a number of new opportunities identified and in development.

Operating review continued

Bone densitometry

Sold exclusively in the UK by Vertec, the Hologic Horizon A System is the world's most advanced Bone Densitometer Scanner, measuring body composition and determining bone mineral density.

ERP System upgrade

Acal has operated the Oracle ERP system (formerly known as JD Edwards) in Acal BFi for 12 years. During this time, the system has proved to be a reliable and cost effective platform on which to operate. With the current platform having reached the end of its supplier supported life, its upgrade to the latest supported release commenced a year ago and was successfully completed during the third financial quarter. The upgraded system is expected to provide a platform for the foreseeable future. Capital expenditure associated with the upgrade totalled £0.8m and is being amortised over its expected useful life.

Acquisitions

Acal seeks to acquire complementary, niche electronics businesses that share common characteristics with existing group companies. Three such businesses were acquired during the year, all of which have performed well and in line with management's expectations. In addition we are pleased to announce the proposed acquisition of the Noratel Group.

The Noratel Group

Today, we announced the proposed acquisition of the Noratel Group for a consideration of NOK 735m (£73.5m) on a debt free/cash free basis. The Noratel Group is a global designer and manufacturer of electromagnetic products, specifically of low, medium and high power transformers and chokes. The Noratel Group has a broad customer base in Europe from which the majority of its revenue is derived, as well as in Asia and, increasingly, in North America, and has become a preferred supplier to leading international equipment manufacturers in various markets. It has a well-established position supplying the industrial, renewable energy, medical and oil and gas sectors.

With almost sixty years of experience in designing and manufacturing transformers, the Noratel Group is an international group of 16 companies operating in 12 countries, with more than 2,300 employees, of which approximately 75 percent are located at the production facilities in Asia. Over recent years, the Noratel Group has established a successful track record of consistent growth, achieved both organically and by acquisition.

With products and customers complementary to those of Myrra and Acal BFi, the acquisition is expected to provide opportunities for cross-selling of products into each other's customers, as well as enabling future purchasing, design and production efficiencies. It also marks a significant increase in our Asian and North American footprint through which we see scope to continue to grow organically post integration.

Myrra Group ("Myrra")

Myrra (acquired 4 April 2013) designs and manufactures custom electronic magnetic products, supplying an industrial customer base complementary to Acal's existing customers.

The business has performed very well since acquisition. Orders, at CER, increased by 23% in the year compared with the year prior to acquisition (with second half orders up 27%). Sales for the year increased by 11% (with second half sales up 18%) as a number of anticipated customer contracts came to fruition. Additionally, Myrra has benefited from the increased financial strength and support which being part of Acal brings. Certain customers increased the share of business they awarded to Myrra as opposed to other suppliers in appreciation of the fact that it is now part of a larger, well funded, Group.

Cross-selling initiatives are underway, with Acal BFi identifying a number of new projects around Europe. We expect the number of new opportunities open to us to continue to grow. Production of various existing Acal BFi custom solutions has been switched into Myrra, having previously been produced by third party contractors.

Young Electronics Group ("YEG")

YEG (acquired 30 August 2013), is a UK specialist electronics distributor. The business has a well established, broad industrial customer base providing custom cabling, fibre optic, power, solid state lighting, production services and niche components. Loss making when acquired, and operating at around breakeven during the year, the business was integrated into Acal BFi UK in April 2014, immediately following the year end, which is our busiest period.

Operating review continued

Induction cooking plates

Myrra's product portfolio for the household electrical appliances and heating market includes the design, development and manufacture of custom magnetic components for induction cooking plates.

By fully integrating the operations into Acal BFi UK, the business has been able to retain and develop its commercial capabilities, whilst developing appropriate levels of sustainable profitability. The integration involved moving into Acal BFi's UK offices, and transferring onto Acal's ERP system, CRM and web systems. YEG's commercial staff have been retained and integrated into a combined UK team.

A new larger UK warehouse (23,000 sq feet) has been established in Bracknell, accommodating both the YEG and Acal BFi UK warehousing requirements, resulting in the closure of Acal BFi's existing UK warehouse in Wokingham. The new warehouse provides additional capacity to accommodate future growth.

RSG Electronic Components GmbH ("RSG")

RSG (acquired 2 December 2013), is a specialist distributor, designer and manufacturer of power components and assemblies. Based in Frankfurt, Germany, the business enhances the Group's power capabilities in Germany, as well as bringing custom design and manufacturing skills. The business remains operationally independent, with cross-selling initiatives underway with other businesses.

Summary and outlook

The business performed well in the last year. Organic performance returned to growth and operating margins have further improved, generating a healthy cash flow. All seven of our acquisitions made in the last five years are performing well, including Myrra, YEG and RSG acquired this year, bringing new capabilities and products, as well as access to new geographies. With the disposal of the Enterprise business completed, Acal is now wholly focused on specialist electronics.

Trading conditions improved through the year and we continue to perform ahead of the broader market, as customers increasingly recognise and appreciate the value of our differentiated offering.

The new financial year has started well as expected. Sales growth continues, driven by the high order book, whilst orders remain at levels similar to those of last year. The proposed major acquisition of the Noratel Group, announced today, will enhance our product capabilities and expand our geographic presence. Whilst overall market growth rates remain relatively low, the business is well positioned to benefit from improving market conditions, enhanced by further quality acquisitions.

Nick Jefferies
Chief Executive
5 June 2014

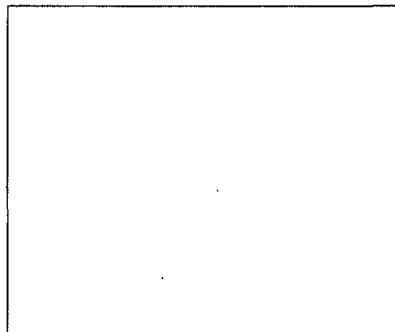
Telematics system solutions

Acal BFi's specialist electronics capabilities are being increasingly adopted within the automotive market.

Telematic systems embedded into vehicles are a rapidly growing segment of the market as safety and security concerns assume greater importance for drivers.

The Novero in-car connectivity unit, with components supplied by Acal BFi, is controlled by sensors. In the event of an accident, the "ecall" functionality is activated automatically, an emergency call is established and vehicle data is transmitted to the rescue services.

The in-car connectivity unit functions by locating the global navigation satellite system and transmitting an emergency call via the mobile communication network.



Wind turbines

RSG brings specialist power supply capabilities to the Group and serves the wind turbine generator market, amongst others.

To meet the current requirements of the manufacturers of wind turbine generators, RSG has developed an electronic power supply for the pitch systems of these generators.

As further development of the successful "Blueline 10.0 series", which served the market of generator technology, RSG has now designed and supplies the new "WNG series", with an output power of 5kW for advanced pitch systems in eight different versions.

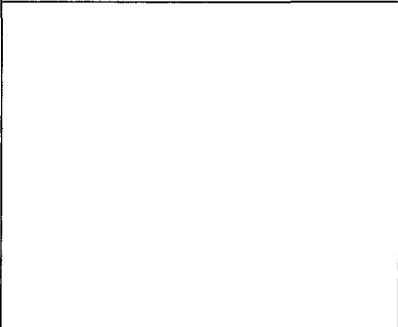
In continuous operation the "WNG" PPS is designed to deliver constant power of up to 6kW and is able to reach a temporary peak of 10kW.

Electrical converters for high speed trains

MYRRA's custom made power transformers and chokes are in demand in various markets, including transportation.

In the high speed trains in Europe and America, electrical converters power air conditioning systems and provide power for laptops.

Myrra designs, manufactures and supplies the transformers for these converters, in accordance with customer requirements and very strict international performance standards.



Myrra's transformer is a component housed inside this power converter, which is mounted on the outside of the train roof.

Finance review

Free cash flow was well ahead of the Group's long term target over the cycle

Simon Gibbins Group Finance Director

Growth in revenue and gross profit

Group revenue for the year was £211.6m, up 17% CER on last year (2012/13: £177.4m) comprising 2% organic growth with 15% generated from acquisitions in the year.

	£m 2013/14	£m 2012/13	%
Like for like sales	183.7	180.5	2%
Acquisitions	27.9	–	
Underlying sales (CER)	211.6	180.5	17%
FX translation	–	(3.1)	
Reported sales	211.6	177.4	19%

Group gross profit for the year was £63.0m, up 14% CER on last year (2012/13: £54.4m), with organic gross profit down 1% with acquisitions in the year contributing 15% growth. The lower growth of organic gross profit compared to sales reflects a 0.9ppt reduction in gross margin to 29.8% related to short term changes in product sales mix, as well as slightly lower margins on average in the acquired businesses.

Maintaining a tight cost base

As shown in the table below, Group underlying operating costs on a like-for-like basis were at the same level as last year (or down 1% adjusted for £0.7m of web costs not included last year) as it continues to maintain a tight control of its cost base. Including acquisitions, Group underlying operating costs were up 12% CER.

	£m 2013/14	£m 2012/13	%
Like for like costs	50.0	49.8	0%
Acquisitions	5.9	–	
Underlying costs (CER)	55.9	49.8	12%
FX translation	–	(0.9)	
Underlying adjustments			
Net exceptional items	0.7	3.1	
Amortisation of acquired intangibles	1.0	0.7	
IAS 19 pension administration cost	0.2	0.3	
Reported costs	57.8	53.0	9%
Sales and distribution costs	36.5	30.7	
Administration expenses	21.3	22.3	
Reported costs	57.8	53.0	

Exceptional items

Exceptional items for the year totalled £0.7m (2012/13: £3.1m), comprising exceptional costs of £2.2m, partially offset by an exceptional gain of £1.5m. The exceptional costs were associated with acquisitions during the year and related restructuring and integration costs (£1.7m) together with £0.5m related to the closure of one of the Group's two Dutch offices and redundancies. The exceptional gain arose on the acquisition of YEG (being the difference between the net consideration paid and the fair value of the net assets acquired).

Including exceptional items and amortisation of acquired intangible assets of £1.0m (2012/13: £0.7m), overall Group operating costs (shown in the table above) increased by 9% to £57.8m.

Operating margin improvement

Group underlying operating profit for the year was £7.1m, up 29% on last year (2012/13: £5.5m), delivering a Group underlying operating margin of 3.4%, up 0.3ppts on last year (or up 0.6ppts when adjusting for £0.7m of web costs not included last year).

Second half underlying operating profit of £4.1m was up 41% on last year (H2 2012/13: £2.9m). Second half operating margin of 3.7% was up 0.5ppts (H2 2012/13: 3.2%).

First half underlying operating profit of £3.0m was up 15% on last year (H1 2012/13: £2.6m). First half operating margin of 3.0% was flat compared with last year (H1 2012/13: 3.0%).

Compared with the first half, second half underlying operating profit was up £1.1m, with the associated operating margin up 0.7ppts.

Reported Group operating profit for the year (including underlying adjustments set out below) was £5.2m, up £3.8m compared with last year (2012/13: £1.4m).

Finance review continued

	£m Operating profit	£m 2013/14 Finance cost	£m Operating profit	£m 2012/13 Finance cost
Underlying	7.1	(0.8)	5.5	(0.5)
Underlying adjustments				
Net exceptional items	(0.7)		(3.1)	
Amortisation of acquired intangibles	(1.0)		(0.7)	
IAS 19 pension administration cost	(0.2)	(0.2)	(0.3)	(0.2)
Reported	5.2	(1.0)	1.4	(0.7)

Higher finance costs reflecting partial debt funding of acquisitions

Net finance costs for the year of £1.0m (2012/13: £0.7m) comprise underlying finance costs of £0.8m and an IAS 19 (revised) pension finance charge of £0.2m relating to the Group's legacy defined benefit pension scheme.

The underlying finance costs of £0.8m comprise interest and facility fees arising from the operation of the Group's committed and uncommitted facilities. Net interest charges were up £0.2m from last year (2012/13: £0.6m), mainly due to the finance cost associated with the £8m revolving credit facility undertaken at the end of last year to partially fund the acquisition of Myrra. An amortisation charge for facility arrangement fees of £0.1m is also included.

IAS19 (revised) was adopted in the period with full retrospective restatement, more detail of which can be found in note 34 to the financial statements. The IAS19 (revised) pension finance charge was £0.2m for the year, the same as last year. The total IAS19 (revised) pension charge for this period was £0.4m (including £0.2m of pension administration charges included within operating costs and shown in the table above), down £0.1m on last year (2012/13: £0.5m).

Smart key fobs

State of the art car keys are dependent upon an electronic switch mechanism, which Acal BFi supplies to the automotive industry, for transmitting instructions to the vehicle, and receiving feedback.

Underlying tax rate remains low

The underlying effective tax rate, at 14% of underlying profit before tax of £6.3m, was lower than the UK tax rate of 23%, mainly due to the utilisation of tax losses in various profitable territories and due to more favourable settlement of historic tax audits. This compares favourably with an underlying effective rate last year of 20%. At the year end, the Group had approximately £27m of tax losses covering certain territories. With historic losses in some territories now fully utilised, the underlying effective tax rate for next year is expected to be around 23%.

The overall effective tax rate was 12% of the profit before tax of £4.2m. This rate is lower than the underlying effective tax rate due to the non-taxable nature of certain exceptionals, in particular the £1.5m gain arising on the acquisition of YEG.

Strong profit and earnings growth

Underlying profit before tax for the year of £6.3m was up 26% on last year (2012/13: £5.0m). With the lower underlying tax rate offsetting the increased number of shares in issue (up 12% on last year, mainly arising from the equity placing in March 2013 to partially fund the Myrra acquisition), underlying diluted earnings per share for the year of 16.2 pence were up 20% on last year (2012/13: 13.5 pence).

Underlying adjustments comprise net exceptional items of £0.7m, amortisation of acquired intangibles of £1.0m and an IAS19 charge for the legacy pension fund of £0.4m. Including these underlying adjustments, overall fully diluted earnings per share were 11.1 pence (2012/13: fully diluted earnings per share of 7.1 pence).

	£m PBT	2013/14 EPS	£m PBT	2012/13 EPS
Underlying	6.3	16.2p	5.0	13.5p
Underlying adjustments				
Net exceptional items	(0.7)		(3.1)	
Amortisation of acquired intangibles	(1.0)		(0.7)	
IAS 19 pension cost	(0.4)		(0.5)	
Reported	4.2	11.1p	0.7	7.1p

Finance review continued

The perfect cup of coffee

A specific and consistently repeatable water temperature is essential for making the perfect cup of coffee. Acal BFi supplies its customers with heat sensors, which measure water temperature with the necessary degree of reliability, accuracy and responsiveness.

Acquisition strategy continues

On 4 April 2013, Acal completed the acquisition of Myrra, for a cash payment of €9.2m (£7.8m). In addition to the initial consideration, a three year earn-out payment of up to €1.8m (£1.5m) will be payable in the last quarter of FY 2015/16 to the Myrra management team, subject to the achievement of certain earnings based performance criteria. Included in exceptional costs is an accrual of £0.3m, being the expected cost of this earn-out at the end of the first year. The increase in amortisation of acquired intangible assets, from £0.7m last year to £1.0m this year, primarily relates to intangibles acquired with Myrra. For more information see note 11 to the financial statements.

On 30 August 2013, the Group completed the acquisition of the trade and assets of YEG for a total consideration of £1.5m. A gain on acquisition of £1.5m is included within exceptional items, as well as £0.5m of costs associated with the integration of YEG with Acal BFi UK during April and May 2014.

On 2 December 2013, the Group completed the acquisition of RSG for €3.2m (£2.6m) and a deferred cash consideration of €0.25m (£0.2m) payable in the first quarter of the financial year ending 31 March 2016. Costs associated with the acquisition of £0.2m are included within exceptional items.

Disposal of non-core assets

On 11 November 2013, the Group completed the sale of its non-core European IT spare parts business (EAF Computer Services Supplies GmbH) for a total consideration of €4.4m (£3.7m), comprising initial consideration of €4.0m (£3.4m) received on completion and deferred consideration of €0.4m (£0.3m) expected in the coming financial year. There was a loss on disposal of £0.2m.

On 2 June 2014, the Group completed the sale of its non-core UK enterprise services business (Acal Enterprise Solutions Ltd or "AES") for a total consideration of £6.0m comprising initial consideration of £5.7m received on completion and deferred consideration of £0.3m payable by 31 December 2014. Excluding goodwill, a profit of £2.4m on disposal is expected to arise (and a loss on disposal of £3.3m including goodwill). The accounting for the disposal will be finalised in FY 2014/15.

In total, the Group has disposed of all five Supply Chain businesses in the last four years. More details can be found in notes 12 and 13 to the financial statements.

Discontinued business

AES was the last remaining business in the Supply Chain division. Following its announced disposal, the division has been treated as a discontinued business for accounting purposes. Its results have been shown as a separate line within the consolidated income statement, below the results for continuing business. Comparatives for prior years have also been similarly restated.

	£m 2013/14	£m 2012/13
Revenue	17.9	41.8
Underlying operating profit	1.3	1.4
Amortisation of acquired intangibles	(0.1)	(0.1)
Goodwill impairment	(3.3)	–
Loss on disposal of business	(0.2)	(5.1)
Finance costs	–	(0.1)
Tax	(0.1)	(0.1)
Net loss for the year	(2.4)	(4.0)
Fully diluted loss per share	(7.7)p	(14.0)p

More details can be found in note 13 to the financial statements.

Working capital improvements continue

Working capital was 9.9% of annualised second half continuing sales (2012/13: 10.1%), with working capital increasing by £3.4m to £22.0m due to acquisitions in the year. The improvement of 0.2 ppts was achieved through tight management of working capital. In particular, there were further efficiency gains in inventory management, with Group inventory turns improving by 0.6 to 10.1 (2012/13: 9.5). Trade debtors outstanding at 31 March 2014 were at 52 days, with trade creditors at 60 days.

Levels of working capital have reduced significantly in the last five years, improving from 15.3% of annualised second half sales in FY2009/10 to 9.9% this year, a 35% improvement. This represents £11.9m of cash generation over that period.

Finance review continued

Strong free cash flow generation

The Group had net cash at the year end of £1.8m from continuing operations, compared with net cash at the start of the year of £11.8m, the difference primarily relating to the cost of acquisitions in the period.

	£m
	2013/14
Net cash at 31 March 2013	11.8
Cash flow	(9.0)
Foreign exchange impact	(0.5)
	2.3
Cash attributable to:	
Continuing operations	1.8
Classified as held for sale	0.5
	2.3

Cash flow for the period is summarised as follows:

	£m	£m
	2013/14	2012/13
Underlying EBITDA*		
Continuing operations	9.0	7.3
Discontinued operations	1.3	1.4
	10.3	8.7
Working capital	0.1	2.3
Capital expenditure	(1.4)	(1.3)
Interest	(0.8)	(0.6)
Tax	(0.9)	(1.4)
Free cash flow	7.3	7.7
Exceptional payments	(2.9)	(3.6)
Legacy pension	(1.5)	(1.5)
Dividends	(2.7)	(2.3)
Acquisitions	(12.5)	(2.0)
Disposals	3.3	1.5
Net proceeds from share issue	-	5.7
Net cash (outflow)/inflow in the period	(9.0)	5.5

* Underlying EBITDA from continuing operations is the underlying operating profit of £7.1m, as adjusted for key non-cash items: depreciation, amortisation and share based payments totalling £1.9m.

Portable ventilator

Working closely with the manufacturer and its customer, Acal BFi was involved in the design of this portable ventilator, which provides safe and accurate treatment for patients requiring ventilation.

Free cash flow in the year was £7.3m being 103% of underlying operating profits. This was well ahead of the Group's long term target of 60% free cash flow over the cycle.

Underlying EBITDA of £9.0m was 23% higher than last year. The year showed a small release in working capital of £0.1m. Last year also showed a release of working capital, resulting partly from lower sales. Capital expenditure of £1.4m, which was the same as last year, of which £0.5m related to the upgrade of Acal BFi's ERP system.

Exceptional cash payments in the period totalled £2.9m, relating mainly to the Myrra acquisition costs (which were largely all accrued last year), YEG and RSG acquisition costs and residual payments in respect of last year's cost reduction programme.

Dividends of £2.7m paid during the year were £0.4m higher than last year, reflecting the increase in last year's final dividend by 9% (paid this year) and a 10% equity placing in March 2013. £12.5m was spent on the acquisitions of Myrra, YEG and RSG, with £3.3m proceeds received on the sale of the European Parts business in November 2013.

Committed funding

In addition to the £1.8m net cash balance at the year end, the Group also had access to £24m of committed facilities (2012/13: £22m) comprising:

- i) Committed working capital facilities of £16m (2012/13: £14m), which the Group requires from time to time to fund inter-month outflows of working capital. Such outflows resulted in a net average debt balance across the final quarter of the financial year of £3m.
- ii) A committed debt facility of £8m, which was put in place to help fund the acquisition of Myrra.

If the acquisition of the Noratel Group is completed, these existing local facilities will be re-financed with a new £70m committed facility which will also, alongside the proposed rights issue, fund the acquisition of the Noratel Group and re-finance all of the Noratel Group's existing debt facilities.

Finance review continued

Pension

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 £31.4m at 31 March 2014, the same as last year. Pension contributions made by the Group of £1.5m together with growth in asset values, were offset by benefit payments during the year. Scheme liabilities under IAS19 were valued by actuaries at £37.1m, £0.1m less than last year. The net deficit at 31 March 2014 was £5.7m, £0.1m less than last year. Additionally, an associated deferred tax liability of £0.8m (31 March 2013: £0.7m) is included in pension liabilities, taking the total liability to £6.5m (31 March 2013: £6.5m). Further details are given in note 34 to the Financial Statements.

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

Net assets

Net assets at 31 March 2014 of £48.5m were £3.0m lower than at the end of last year (31 March 2013: £51.5m). The movement in net assets is summarised below:

	£m 2013/14
Net assets at 31 March 2013	51.5
Net profit after tax	1.3
Share based payments	0.6
Associated deferred tax credit	0.6
Dividend paid	(2.7)
Loss on defined benefit scheme	(1.0)
Currency net assets – translation impact	(1.8)
Net assets at 31 March 2014	48.5

Risks and uncertainties

The assessment and management of risk is a responsibility of the Board. The risk management process includes identifying, evaluating and managing the significant risks faced by the Group. Previously identified risks, and where appropriate, their mitigation, are monitored regularly at the Board and divisional review meetings, and any newly identified risks are evaluated as required.

A detailed risk review is carried out on an annual basis and presented to the Audit Committee, where the validity of the risk management process is assessed, the relevance and potential effects of the principal risks and uncertainties are reviewed, and the net risk to the Group (after mitigating controls) is evaluated and assessed relative to the risk appetite of the Group. All risks are classified based on a matrix of likelihood of occurrence compared with the impact on the business.

The following is a summary of the principal risks and uncertainties identified by the Board. There have been no material changes to these risks from the prior year.

- **Strategic and operational risks:** global economies, business acquisitions, business disruption including major damage to premises, loss of IT systems and loss of key personnel, laws and regulations, cyber security, product quality and liabilities, supply chain disruption
- **Financial risks:** foreign currency, credit, liquidity, legacy defined benefit pension scheme funding

Simon Gibbins
Finance Director
5 June 2014

Principal risks and uncertainties

The performance of the Group and the implementation of its strategy are subject to a number of risks and uncertainties

The Board continually monitors the key business risks and uncertainties and oversees the development of processes to ensure that these risks are managed appropriately and that operational management implements any mitigating actions in a timely and consistent manner. The Group's risk management framework covers identification, impact assessment, likelihood of occurrence and mitigating actions.

The Group's principal risks and uncertainties and mitigating actions are described below. There have been no material changes compared with the prior year.

Risks	Mitigating action
<p>Economic environment</p> <p>The key external risk affecting the Group remains the challenge of macroeconomic and market conditions, especially in Europe. These conditions, which are underpinned by slow economic growth, could adversely affect the Group in a number of ways including:</p> <ul style="list-style-type: none"> • A slowdown in order intake, due to the lack of end-user demand and lack of visibility into the foreseeable future. This could ultimately affect the Group's profitability through a reduction in sales. • Equity and debt raising conditions may become more challenging which could impact the Group's ability to raise funds for value adding acquisitions, a core part of the Group's stated strategy. 	<p>Economic environment</p> <ul style="list-style-type: none"> • Transition into a differentiated specialist supplier should help reduce exposure to major shocks in the economic environment; • Diversification into different markets, locations and product offerings; • Identifying and completing value adding and earnings enhancing acquisitions.
<p>Business acquisitions</p> <p>The Group considers acquisitions as part of its growth strategy. The risk to the Group is that the acquisitions made under-perform the business case, or that key employees do not remain with the Group.</p>	<p>Business acquisitions</p> <ul style="list-style-type: none"> • Detailed due diligence on target businesses; • Seek appropriate warranties and indemnities from vendors; • Use of earn out structures, where possible, to retain key management; • Continuous monitoring of the acquired business against budgeted performance.
<p>Liquidity</p> <p>The Group's ability to operate depends on access to short and medium-term funding. From time to time, such funding requires refinancing, the success of which depends on the financial condition of the Group and the risk appetite of the lending market.</p>	<p>Liquidity</p> <ul style="list-style-type: none"> • Central Treasury function to oversee the Group's cash resources and financing requirements; • Ongoing review of headroom against committed facilities and financial covenants; • Working capital controls and monitoring of key working capital metrics.
<p>Major business disruption</p> <p>The Group has a number of warehouses, other operational premises and systems in the UK, Europe, South Africa and the Far East. Major damage to any of these facilities would adversely affect the business.</p>	<p>Major business disruption</p> <ul style="list-style-type: none"> • Disaster recovery and business continuity plans • Insurance cover.

Principal risks and uncertainties continued

Risks	Mitigating action
<p>Foreign currency The Group's main foreign exchange exposures relate to the translation of results and net assets denominated in foreign currencies into sterling (translational exposure), and the occurrence of transactions in currencies other than the operational currency of the transacting company (transactional exposure).</p>	<p><i>Foreign currency</i></p> <ul style="list-style-type: none"> • Use of forward currency contracts to hedge transactional exposure for committed sales and purchases in foreign currency; • Currency borrowings as a natural hedge against same currency assets; • Oversight of foreign currency exposures by the central treasury function.
<p>Retirement benefit obligations The funding position of the Group's legacy post-retirement defined benefit scheme (the Sedgemoor Scheme – see Note 34 to the Group Financial Statements) may be adversely affected by poor investment performance, changes in interest and inflation rates, improved mortality rates and changes in the regulatory environment. Such changes could increase the charge to the income statement and/or the level of cash contributions required to be made to the scheme.</p>	<p><i>Retirement benefit obligations</i></p> <ul style="list-style-type: none"> • The Sedgemoor scheme was closed to new members in 2000 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.
<p>People The performance of the Group depends on its ability to continue to attract, motivate and retain staff.</p> <p>The Electronics industry is very competitive and the Group's employees may be targeted by other companies for recruitment.</p>	<p><i>People</i></p> <ul style="list-style-type: none"> • Staff development, training programmes and succession planning; • Appropriate rewards for personal and business success.

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 the 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

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.

Percentage of male and female employees within the Acal Group by employment level

	2014 Male	2014 Female
Total gender split	56%	44%
Senior managers and executives	77%	23%
Directors	83%	17%

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 Group 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.

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.

Corporate social responsibility continued

Health and safety

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 enter its premises. The Group endeavours to protect employees from, and does not tolerate, any sexual, physical or mental harassment. Health 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).

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).

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).

Anti-bribery

Acal is committed to applying the highest standards of integrity, honesty and fairness in its business activities all over the world. A zero-tolerance approach is taken towards bribery and

corruption in all its forms by, or of, its employees or any persons or companies acting on its behalf. The Group's comprehensive anti-bribery programme has been implemented by the Group's operating companies.

The Board and senior management have implemented world wide procedures to enforce and monitor effective anti-bribery procedures in accordance with the UK Bribery Act 2010.

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.

The Strategic Report, as set out on pages 1 to 24, has been approved by the Board.

On behalf of the Board

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

5 June 2014

Corporate information and financial calendar

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Corporate information

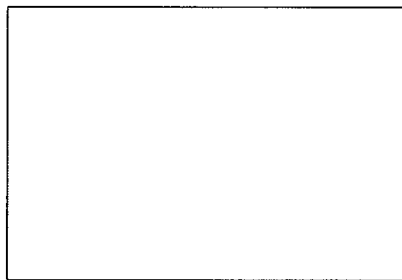
Registered office	Stockbrokers
Acal plc 2 Chancellor Court Occam Road Surrey Research Park Guildford Surrey GU2 7AH	Oriel Securities Limited
Telephone 01483 544500	Principal bankers Barclays Bank PLC Lloyds TSB Bank plc
Incorporated in England and Wales with registered number 2008246	Auditors Ernst & Young LLP
	Registrars Equiniti Limited

Financial calendar 2014/2015

Annual General Meeting	29 July 2014
Results	
Interim report for the six months to 30 September 2014	Late November 2014
Preliminary announcement for the year to 31 March 2015	Early June 2015
Annual report 2015	Late June 2015
Dividend payments	
Final dividend 2013/2014	31 July 2014
Interim dividend 2014/2015	Late January 2015
Final dividend 2014/2015	Late July 2015

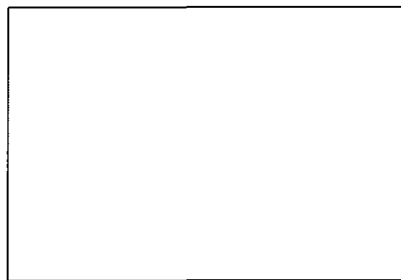
The board and committees

Our experienced board focuses on strategic development, financial control and risk management, while our group executive committee focuses on delivering results and driving growth for shareholders



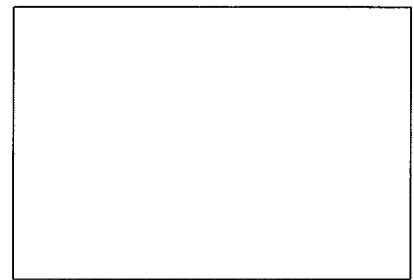
Richard Moon
Non-Executive Chairman
Board

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 is Non-Executive Chairman of Seven Technologies Holdings Limited and is Chairman of Synergie Business Limited.



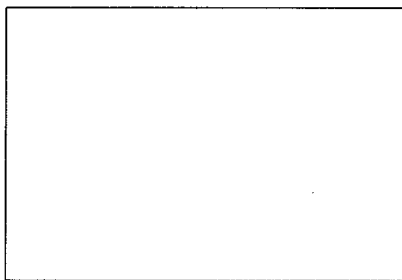
Nick Jefferies
Group Chief Executive
Board and Group Executive Committee

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).



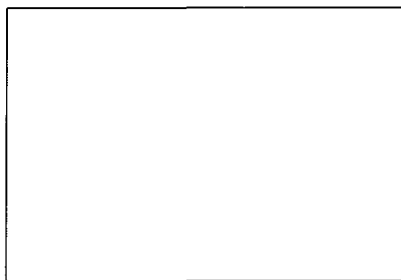
Simon Gibbins ACA
Group Finance Director
Board and Group Executive Committee

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.



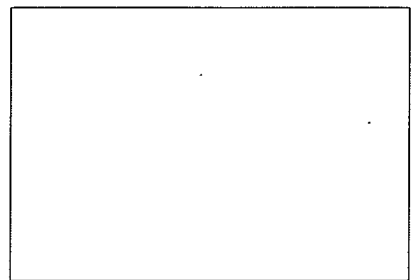
Graham Williams MBA CA
Senior Non-Executive Director
Board

Graham was appointed to the Board in December 2003. A Chartered Accountant, 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.



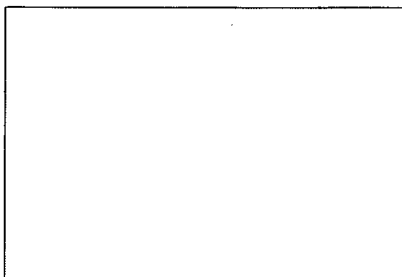
Richard Brooman MA FCA FCMI
Non-Executive Director
Board

Richard, a Chartered Accountant, became a Non-Executive Director in January 2013. He is a Non-Executive Director, and Chairman of the Audit Committees, at Hg Capital Trust plc and Invesco Perpetual UK Smaller Companies Investment Trust plc. A Director or Trustee of several businesses and charities in the third sector, during his executive career he was Group Finance Director of Sherwood International Plc and VCI Plc.



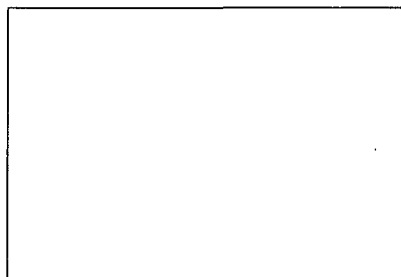
Henrietta Marsh MBA MA
Non-Executive Director
Board

Henrietta (Het) was appointed a Non-Executive Director in May 2013. She is also a Non-Executive Director of Dods (Group) PLC, where she chairs the Remuneration Committee; a Non-Executive Director of Electric Word plc; an Operating Partner of ISIS Equity Partners ("ISIS"); and a member of the London Stock Exchange's AIM Advisory Group. Previously, she was a Fund Manager at ISIS and a Director of 3i plc.



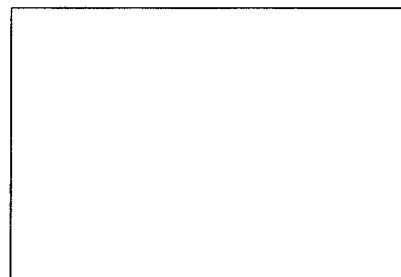
Gary Shillinglaw FCIS
Group Company Secretary
 Group Executive Committee

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



Paul Neville ACA
Group Commercial Director
 Group Executive Committee

Paul was appointed Group Commercial Director in March 2009. A Chartered Accountant, he has many 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
 Group Executive Committee

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.

Audit committee

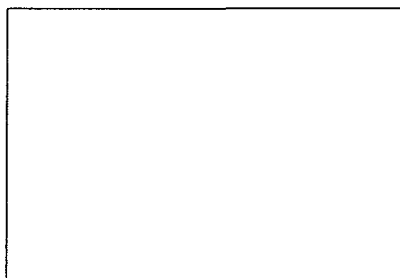
Richard Brooman (chairman)
 Henrietta Marsh
 Graham Williams

Remuneration committee

Graham Williams (chairman)
 Richard Brooman
 Henrietta Marsh
 Richard Moon

Nomination committee

Richard Moon (chairman)
 Nick Jefferies
 Graham Williams



Paul Webster
Group Product Management and Operations Director
 Group Executive Committee

Paul joined Acal in June 2010 as Managing Director, Acal BFi UK. He has many years experience in senior management roles, including Head of Product Management for Electronics globally at Electrocomponents plc. He began his career as a design engineer for Plessey Avionics (now part of BAE Systems).

Directors' report

The Directors present their Annual Report with the audited financial statements for the year ended 31 March 2014.

Principal activities of the Group

Acal is a specialist electronics group supplying niche electronics to industrial manufacturers and the healthcare sector. The Group operates a number of high quality businesses, which supply and create individual product solutions to meet specific customer needs. Acal is uniquely positioned, with an infrastructure to deliver a complementary range of specialist products and bespoke solutions across Europe as well as in Asia and Africa. The Group's businesses comprise Acal BFi, Hectronic, MTC, Myrra, RSG, Stortech and Vertec, of which Acal BFi is the largest. Approximately 70% of the Group's revenues are generated from the major economies of Europe.

Financial results and dividends

The Strategic Report contains information on the Group's activities during the year, likely future developments and the principal risks and uncertainties affecting the business.

The results of the Group for the year to 31 March 2014 are set out in detail in the consolidated income statement on page 58. The financial and non-financial key performance indicators of the business are set out in the Strategic Report.

The Directors recommend a final dividend of 6.85p per share (2013: 6.0p). The final dividend, together with the interim dividend of 2.5p (2013: 2.5p), makes a total dividend for the year of 9.35p per ordinary share (2013: 8.5p). The total dividends on ordinary shares have a cash cost of £2,929,554 (2013: £2,589,747).

Post balance sheet events

Acal is pleased to announce today the proposed acquisition of the Noratel Group for NOK 735m (£73.5m) on a debt free/cash free basis. This major acquisition for the Group, which would be funded by a proposed £55m rights issue, along with funds drawn down under a £70m new Group facility, brings further specialist design and manufacturing skills into the Group, building on the already successful Myrra and Acal BFi electromagnetic businesses.

With a complementary customer base and product range, the Board believes the Noratel Group will be an excellent fit with the existing Acal businesses and customers, creating opportunities for organic growth throughout the enlarged customer base and geographies.

The Board believes that the acquisition and the rights issue are in the best interests of the Company and shareholders. It therefore recommends that shareholders vote in favour of this transaction at the Company's general meeting on 23 June 2014. Further details of the rights issue and acquisition are set out in the Company's circular and prospectus which is expected to be posted to shareholders in due course.

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale.

The disposal involved the sale of the Group's UK subsidiary, Acal Enterprise Solutions Limited ("AES"), to Agilita Holdings Limited in which the current management team of AES are participating, for a cash consideration of £6.0m, of which £0.3m will be deferred, at the purchaser's option, until no later than 31 December 2014. Including transaction and related costs, the disposal is expected to result in a profit on disposal excluding goodwill of £2.4m and a loss on disposal of £3.3m (including goodwill). The accounting for the disposal will be finalised in FY 2015.

The disposal reflects Acal's continued strategy of building a specialist electronics supplier to the industrial and medical sectors and completes the programme of non-core business disposals, following on from the disposals of its UK Parts business in the prior year and the European Parts Businesses in the year.

Directors

The Directors of the Company are set out in the Board Report on Corporate Governance on pages 32 to 34, which is publicly available on the Company's website (www.acalplc.co.uk).

Directors' remuneration, service contracts and Directors' interests are disclosed in the Directors' Remuneration Report on pages 39 to 53.

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 the approval of this Annual Report. Directors of subsidiary undertakings are also 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 that a Director may enjoy under any such other indemnity or contract of insurance.

Directors' report continued

Employees

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 employees and the needs of the Group's business. These policies ensure that everyone is accorded equal opportunity for recruitment, training and promotion.

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.

Corporate social responsibility

The Group 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 pages 23 and 24.

Greenhouse gas emissions

We present our carbon footprint below which has been compiled in accordance with the Greenhouse Gas Emissions (Directors' Reports) Regulations.

In accordance with the final reporting regulations, we selected a reporting period of the year to 31 December 2013 to enable accurate data to be collated and to compile the table below in time for inclusion in this Annual Report. To meet reporting deadlines, we collected data for the year ended 31 December 2013 for the major locations and for the remaining locations we estimated the full year based on actual data for the 10 month period to 31 October 2013. Going forward we will endeavour to develop our reporting processes to facilitate more timely capture of energy data.

Our Scope 1 and 2 emissions, as defined within The Greenhouse Gas Protocol (GHG Protocol), have been reported from all of our major operating sites (which cover over 99% of our activities by revenue), using an operation control approach. We have excluded Young Electronics Group and RSG Electrocomponents GmbH, which were acquired on 31 August 2013 and 2 December 2013 respectively, to allow those businesses sufficient time to adopt our reporting guidelines. These two businesses represented less than 1% of business activities by revenue for the year ended 31 December 2013. As well as enabling the reporting of emissions, this information will enable us to identify potential cost savings going forward.

We have conducted an internal review to check the completeness and accuracy of the reported data. In future years we will report on progress with our greenhouse gas emissions to show year on year figures for the Group.

Our most significant emissions arise from the use of electricity, which comprises all our Scope 2 emissions. Over 87% of our Scope 1 emissions arise from transport fuel, the remainder arising from the use of gas and oil for heating. Less than 1% of our scope 1 emissions arise from process emissions.

All our emissions have been calculated using the latest Defra conversion factors available at <https://www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses>.

Greenhouse gas emissions for the period from 1 January 2013 to 31 December 2013 (tonnes of CO₂ equivalent)

Scope 1 emissions	1,145
Scope 2 emissions	1,602
Total gross emissions	2,747
Total carbon emissions per £m of Group revenue	13.0

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.

At 31 March 2014 the Company's issued share capital consisted of 31,332,127 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.

Directors' report continued

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 also 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 45. Substantial shareholder interests, of which the Company has been notified, are shown below.

Details of the Group's borrowing facilities are provided in the Finance Review section of the Strategic Report on page 19. These agreements contain a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Group. The Group 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.

Issue of shares under share option and long-term incentive schemes

36,249 shares were issued during the year under the Group's executive share option and long-term incentive schemes.

Substantial shareholdings

As at 31 March 2014, the Company had 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 (Sp)	% holding
Aberforth Partners LLP	3,878,087*	12.4
Hargreave Hale Ltd	3,266,800	10.4
Mr & Mrs J A H Curry	2,043,500	6.5
Aberdeen Asset Managers Ltd	1,985,000	6.3
Unicorn Asset Management Ltd	1,642,735	5.2
Legal & General Investment Management Ltd	1,533,637	4.9
Henderson Global Investors Ltd	1,486,382	4.7
M&G Investment Management Ltd	1,433,076	4.6
Herald Investment Management Ltd	1,407,248	4.5

* Includes 592,180 shares in relation to which Aberforth have no access to the voting rights.

As at 5 June 2014, the Company has been notified of the following change to the major shareholdings shown above:

Aberdeen Asset Managers Ltd	3,527,196	11.3
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Acquisition of company's own shares

At the end of the financial year, the Directors had authority to purchase through the market up to 3,129,587 of the Company's ordinary shares, being approximately 10% of the Company's issued share capital at 5 June 2014, at prices ranging between the nominal value and an amount equal to the higher of: (a) 10% 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 earlier of the conclusion of the 2014 Annual General Meeting or on 25 October 2014. The Directors will seek to renew this authority at the next Annual General Meeting.

No shares were purchased under this authority during the year.

Financial risk management

The Group's 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 and liquidity risk are disclosed in note 28 to the Group Financial Statements on pages 92 and 93.

Going concern

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report on pages 16 to 20.

The Group has significant 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 principal risks and uncertainties that are disclosed on pages 21 and 22 of the Strategic Report.

Directors' report continued

The Group's forecasts and projections, taking account of a sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within the level of its current committed facilities for the foreseeable future.

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.

Auditors

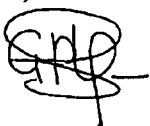
A resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of Ernst & Young LLP as auditors of the Company.

Disclosure of information to auditors

The Directors, who were members of the Board at the time of approving this Report, are set out on page 26. Having made enquiries of fellow Directors and of the Company's auditors, each Director confirms that:

- i) to the best of their knowledge and belief, there is no information (i.e. information needed by the Group's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- ii) each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Gary Shillinglaw
Group Company Secretary
5 June 2014

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 UK Corporate Governance Code (the 'Code'), published by the Financial Reporting Council in September 2012, 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 2014.

As disclosed in the Directors' Report on page 28, this Report is publicly available on the Company's website (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 the Board consisted of Richard Moon as Non-Executive Chairman; Richard Brooman and Graham Williams as Non-Executive Directors; Nick Jefferies as Group Chief Executive; and Simon Gibbins as Group Finance Director.

Henrietta Marsh was appointed as a Non-Executive Director with effect from 1 May 2013.

Eric Barton stepped down as Senior Non-Executive Director with effect from 29 July 2013.

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 material risks, including a formal schedule of matters reserved for its decision. These include: 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 set out 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 nine meetings of the full Board during the year to 31 March 2014, with all Directors attending all meetings with the exception of one meeting which Eric Barton was unable to attend and two meetings which Graham Williams was unable to attend. All Directors attended the meetings of all Committees on which they served, with the exception of one Audit Committee Meeting, one Nomination Committee Meeting and one Remuneration Committee Meeting which Eric Barton was unable to attend and one Nomination Committee Meeting which Graham 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 day to day 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:

- was 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 Company's 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 appointments to the Board other than Richard Moon and Graham Williams.

In the Board's opinion, the Non-Executive Directors of the Company are, therefore, considered to be independent, including Richard Moon and Graham Williams. Having served on the Board since 1 September 2004 and 1 December 2003 respectively, they are both considered to be independent because their objectivity and willingness to challenge management have not been compromised in any way by the length of their tenures.

Board report on corporate governance continued

Graham Williams is the Senior Non-Executive 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 Non-Executive Director leads the process of annually appraising the Chairman's performance in conjunction with the other Non-Executive Directors.

Appointments to the Board

While appointments to the Board are the responsibility of the full Board, the Nomination Committee has a duty to ensure that, when making recommendations to the Board on suitable candidates, it takes into account the Board's existing balance of skills and experience and has due regard for diversity, including gender.

The Nomination Committee is chaired by Richard Moon. Graham Williams, as Senior Non-Executive Director, and Nick 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 Richard Moon as Chairman, an assessment was made of the time commitment expected and of his other significant commitments. He is Non-Executive Chairman of Seven Technologies Holdings Limited and Chairman of Synergie Business Limited.

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

Diversity

The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and further enhance the success of the Group. In that culture, diversity across a range of criteria is valued, primarily in relation to skills, knowledge and experience and also in other criteria, such as gender and ethnicity. The Board has considered setting objectives in relation to diversity, but does not believe that such objectives are appropriate at this juncture, given the relatively small Board. The Board will however keep this matter under review, particularly in light of Board succession and development.

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 through 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 is 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 evaluated 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 discussions with individual Directors on their performance and the Senior Non-Executive 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 any actions to be taken 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 re-election of Simon Gibbins and for the re-elections of Richard Moon and Graham Williams (both of whom have held office with the Company for a continuous period of more than nine years). Having taken into account the formal evaluation of their performances, the Board believes that each makes an effective contribution to the Board, demonstrates commitment to their role and can be recommended for re-election.

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.

Board report on corporate governance continued

Procedure on board remuneration

The remuneration of Executive Directors is the responsibility of the Executive Directors' Remuneration Committee, as 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 solely of the Executive Directors. No Director is involved in deciding their own remuneration.

Financial reporting

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

Group Executive Committee

The Group Executive Committee is comprised of: Nick Jefferies, who is the Chairman, together with Simon Gibbins, Paul Neville, Martin Pangels, Gary Shillinglaw, who is also the Secretary, and Paul Webster. For their biographies see pages 26 and 27. During the year to 31 March 2014, there were nine meetings of the Committee. Other senior managers attend the Committee meetings, by invitation, for specific topics.

The Committee is responsible for leading and developing the Group, for delivering results and for driving growth for shareholders. 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 (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 (www.acalplc.co.uk). Members of the Board, the Chairman of the Remuneration Committee and the Chairman of the Audit Committee 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 abstentions, 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 (www.acalplc.co.uk). A separate resolution will be presented on each substantially separate issue and the Chairman of each Board Committee will normally 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.

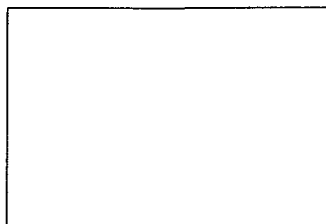
Approval

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



Gary Shillinglaw
Group Company Secretary
5 June 2014

Audit committee report



Dear Shareholder

I am pleased to report on the activities of the Audit Committee ("the Committee") during the year under review. A number of regulatory changes have occurred during the year, not least the Committee's responsibility to ensure, on behalf of the Board, that this Annual Report, taken as a whole, is fair, balanced and understandable.

The Committee and external auditors

The Committee is comprised of me, Richard Brooman, as Chairman, together with Graham Williams and Henrietta Marsh.

The Group Chief Executive and the Group Finance Director attend 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. Indeed, both Graham Williams and I are qualified chartered accountants.

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 auditor as well as the extent of any non-audit services provided by the auditor. The interim statement, the preliminary announcement of results and the annual financial statements are considered by the Committee prior to their approval by the Board. As Chairman of the Committee, I maintain direct communication with the external auditor, independently of the management of the Company.

The Committee met three times during the year and its principal activities during the period included reviews of:

- the interim and full year results;
- the risk management and internal controls systems of the Group;
- the scope and results of the external audit;
- the continued independence and objectivity of the external auditor, including an understanding of the external auditor's own standards and procedures for maintaining their independence and reviewing the level of non-audit services provided by the auditor, in order to ensure that these were not significant enough to prejudice their independence and objectivity;
- the performance of the external auditor and making a recommendation as to their re-appointment;
- the arrangements whereby staff may raise, in confidence, any concern they may have about possible improprieties.

With reference to the review for a formal internal audit function, the Committee considers that there is no current need for such a function, given the internal controls and risk management processes that are in place.

The Committee considers the appointment or reappointment of the external auditor, including the timing of rotation of the incumbent audit partner on an annual basis. Ernst & Young LLP have served as the Company's auditor since 2005. The last audit tender was carried out in 2009.

With regard to recommending the re-appointment of the external auditor, the Committee has recommended that the Board presents a resolution to shareholders at the 2014 Annual General Meeting for the re-appointment of Ernst & Young LLP. This followed an assessment of the quality of service provided, including the qualification of the external auditor, 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 auditor and feedback from executive management.

Part of at least one Committee meeting a year is held with the Non Executive Directors and representatives from the external auditor present, thereby providing an opportunity for any concerns to be raised without executive management present.

As Chairman of the Committee, I report to the Board on any significant matters arising from the activities of the Committee.

Financial reporting and significant judgements

As part of the monitoring of the integrity of the financial statements, the Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgments. Support from the external auditor is sought when undertaking these assessments.

Audit committee report continued

The main issues assessed in the year under review are set out below:

Impairment of goodwill and other non current assets

A consideration of the carrying value of goodwill and the assumptions underlying the impairment review. The judgments in relation to goodwill impairment largely relate to the assumptions underlying the calculations of the value in use of the business being tested for impairment, primarily the achievability of long term business plans and macroeconomic assumptions underlying the valuation process.

Accounting for acquisitions and disposals

A review of the acquisition accounting for material acquisitions and disposals during the year, including the appropriateness of the assumptions used in assessing the fair value of assets and liabilities acquired.

Valuation of the legacy defined benefit pension scheme

A review of the appropriateness of the assumptions used in valuation of the legacy defined benefit pension scheme under IAS 19R – Employee Benefits.

The recognition and valuation of judgemental provisions

A determination of the appropriateness of the assumptions used in the recognition and valuation of judgemental provisions which relate mainly to onerous contracts, severance indemnities, acquisition earn-out arrangements, long term bonus plans and general restructuring and integration.

Presentation of exceptional items

A review of the appropriateness of items disclosed as exceptional in the supplementary income statement information and note to the consolidated financial statements, in line with the Group's stated policy.

The Committee was satisfied that each of the matters set out above had been fully and adequately addressed by the Executive Directors, appropriately tested and reviewed by the external auditor and that the disclosures made in this Annual Report and Accounts were appropriate.

Internal controls

The UK Corporate Governance Code includes a requirement that the Board maintains sound risk management and internal controls systems 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 under review and up to the date of this Annual Report.

The Board has overall responsibility for the Group's risk management and internal controls systems and for reviewing their effectiveness, at least annually.

While no system of controls can provide absolute assurance against material misstatement or loss, the Group's systems are 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 systems, the 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 systems is the value placed 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 the Board approved budget and management's rolling forecasts. 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.

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 Committee, on behalf of the Board, has conducted a

Audit committee report continued

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 risk management and internal control 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 Group has effective procedures in place to deal with conflict situations.

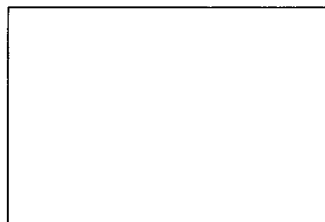
Terms of Reference

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



Richard Brooman
Chairman of the Audit Committee
5 June 2014

Nomination committee report



Dear Shareholder

The Acal Board has a collective responsibility for promoting the long-term success of the Company for the benefit of its shareholders and employees. In leading the search for new Board appointments, the Nomination Committee plays an important part in helping to secure that long-term success. At the same time, Acal's commitment to full compliance with the requirements of the UK Corporate Governance Code ("the Code") means that there is in place a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Composition

In compliance with the Code, the majority of the Committee members are independent Non-Executive Directors. During the year under review, the Committee was chaired by myself, with Eric Barton (until his retirement from the Board on 29 July 2013), Graham Williams and Nick Jefferies as Committee members.

Role and responsibilities

The Committee's principal role is to make recommendations to the full Board on suitable candidates to fill board vacancies, as and when they arise.

In managing this process, the Committee takes into account the Board's existing balance of skills and experience and has due regard for diversity, including gender. A job specification is prepared and agreed by the 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 Committee. Candidates meet all members of the Committee, which then makes recommendations to the Board. Adopted practice is for all members of the Board to meet with the relevant candidate before an appointment is finally made.

In addition, the Committee is concerned to ensure that a proper process for succession planning for the Board and senior management is in place, so that a pipeline of executive talent is developed.

What the Committee did in the year under review

During the year, the Committee met formally on five occasions and the main focus of its work included the following:

- reviewing the composition and structure of the Board and the Committees;
- selecting a high-calibre candidate to succeed Eric Barton as a Non-Executive Director, given his decision to retire from the Board on 26 July 2013. After undertaking a search, in April 2013 the Board approved the appointment of Henrietta Marsh as a Non-Executive Director with effect from 1 May 2013;
- recommending to the Board, which was duly approved, the re-appointments of the Non-Executive Directors upon the conclusion of their specified terms of office. In each case, the Committee's recommendation was made after careful consideration of the individual's performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- recommending to the Board, which was duly approved, the appointments of Graham Williams, as Senior Non-Executive Director, and Richard Brooman, as Chairman of the Audit Committee, in succession to Eric Barton upon his retirement from the Board;
- refreshing the Board Committees, following the appointments of the two new Non-Executive Directors.

Diversity

The Board's policy on diversity is set out on page 33 of this annual report and accounts.

Terms of reference

The Committee's terms of reference are available upon request and are on the Company's website (www.acalplc.co.uk).

Richard Moon
Chairman of the Nomination Committee
5 June 2014

Directors' remuneration report

This remuneration report complies with current regulations, having been prepared in accordance with the Companies Act 2006 ("the Act"); the recommendations of the UK Corporate Governance Code; the requirements of the UKLA Listing Rules; and the disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. In addition to the annual statement, the report now contains (a) an annual report on remuneration, which will be subject to an advisory shareholder vote at the forthcoming AGM, and (b) the directors' remuneration policy, which will be subject to a binding shareholder vote.

To meet the requirements of the Act, the report is divided into Unaudited Information and Audited Information. The Company's auditor is required to report to the Company's members on the auditable part of the report and state whether, in their opinion, it has been properly prepared in accordance with the Act.

In presenting the report, we have chosen to follow the order of the legislation. We hope this makes it easier for shareholders to find the information they require. The report starts with the annual statement and a "remuneration at a glance" section. These describe the Company's philosophy on executive remuneration and provide key facts on remuneration outcomes for the Executive Directors for the year under review and their remuneration packages for the year ending 31 March 2015.

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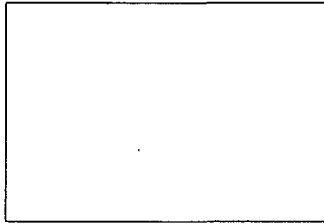
Directors' remuneration policy

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- Remuneration policy discretions
- Policy table for Executive Directors – key elements of remuneration
- Retirement and re-election of Directors
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Directors' remuneration report

Annual statement *Information not subject to audit*



Dear Shareholder

The remuneration packages of our Executive Directors and senior executives are intended to motivate, retain and when necessary, attract senior management of the right calibre. To achieve this, we provide packages which reflect individual experience and performance; which take into account remuneration paid by companies of similar size and complexity operating internationally; and which recognise the remuneration levels of other employees across the Group.

Business performance and the Executive Directors' remuneration outcomes for financial year 2014

Business performance has been good during a period when market conditions have not been easy and has been reflected in total shareholder returns of 303% over the past five financial years. These returns place the Company in the 30th percentile performance when compared with the FTSE Small Cap Index. For the year under review, we have provided the "at a glance" summary details of the corporate performance, the remuneration outcomes for the Executive Directors and the key elements of their remuneration on page 41 of this annual report and accounts. The summary clearly demonstrates the strong link between corporate performance and executive reward:

- Business performance generated annual bonus payments for each of the Executive Directors of 55% of their maximum potential awards (compared with 20% for the previous financial year). Further details are shown on page 43 of this annual report and accounts.
- As the Company did not satisfy the performance conditions attaching to them, the nil-cost options awarded to Nick Jefferies and to Simon Gibbins on 31 March 2011 under the Company's 2008 Long Term Incentive Plan and the option awarded to Simon Gibbins on 31 March 2011 under the 2010 Company Share Option Plan did not vest on 31 March 2014 and have lapsed.
- The special award, in the form of a nil-cost option, granted to Simon Gibbins as a condition of him accepting the appointment of Group Finance Director on 10 June 2010, vested on 20 July 2013 based on Company performance for the three years to that date at 77.94% (139,860 shares) of the maximum award. Further details are shown on page 44 of this annual report and accounts.
- The nil-cost option awarded to Nick Jefferies on 1 September 2010 under the Company's 2008 Long Term Incentive Plan, and the option awarded to him under the Company's 2010 Company Share Option Plan on the same date, vested on 1 September 2013 at 93.02% (24,109 shares in aggregate) of the maximum award. Further details are shown on page 44 of this annual report and accounts.

Looking forward

We are not currently proposing any major changes to the remuneration policy for the Executive Directors for the 2015 financial year, unless exceptional circumstances arise or there is a significant change in the strategy of the Group.

However, whilst LTIP awards will still vest on their third anniversary, the earliest date of exercise has been changed from the third anniversary to the fifth anniversary. Also, vested LTIP awards will attract dividend equivalents from the date of vesting until the date of exercise.

Dialogue with the Company's shareholders

The Committee takes account of the views of the Company's shareholders on remuneration and engages with them, as appropriate. For example, during the year we discussed with a major shareholder their decision to vote against the resolution to approve the Acal plc 2008 Renewed Long Term Incentive Plan, proposed at the 2013 AGM. They confirmed that this decision was not specific to the Company. Excluding this vote, the resolution in question received a 93.06% vote in favour at the AGM of all votes cast (including those withheld) and the 2013 Directors' Remuneration Report received a 96.77% vote in favour at the AGM of all votes cast (including those withheld).

Point of contact

Any shareholder who wishes to contact me in relation to the Directors' and senior executives' remuneration arrangements, can do so via the Group Company Secretary at the Company's head office address.

Annual General Meeting 2014

Shareholders will be invited to approve the Annual Report on Remuneration and the Directors' Remuneration Policy at the AGM to be held on 29 July 2014. In addition, shareholder approval will be sought to the adoption of the Acal plc 2014 Unapproved Executive Share Option Plan. The Directors will not be eligible to participate in this Plan, details of which are set out in the Notice of AGM and Chairman's Explanatory Letter accompanying this annual report and accounts.

Graham Williams
Chairman of the Remuneration Committee
5 June 2014

Directors' remuneration report

Executive Directors: remuneration at a glance

In this section, we show the link between corporate performance for the year under review and the remuneration outcomes for the Executive Directors. The key features of the Executive Directors' remuneration policy for the year ending 31 March 2015 are also shown.

Corporate performance for the year¹

	FY2014	Changes vs FY2013
Underlying profit before tax	£6.3m	+26%
Underlying diluted earnings per share	16.2p	+20%
Full year dividend per share	9.35p	+10%
Share price (as at 31 March 2014)	316.00p	+34%

1 Excludes discontinued operations.

Remuneration outcomes for the Executive Directors for the year

	Nick Jefferies		Simon Gibbins	
	£000		£000	
Salary FY2013	320		206	
Increase with effect from April 2013	0		0	
Bonus (as % of salary)	176	55%	113	55%
Taxable benefits	11		13	
Pension benefits	22		13	
LTIP/Option: value of awards which vested in September 2013 ¹ (% of maximum shares that vested)	65	93%	0	0%
Special award: value of award which vested in July 2013 ¹ (% of maximum shares that vested)	n/a	n/a	313	78%
Single figure of total remuneration	594		658	

1 Assessed using the Company's share price on the vesting date.

Key features of Executive Directors' remuneration packages for the year ending 31 March 2015

Nick Jefferies

Salary of £330,000 pa; annual maximum bonus opportunity of 100% of salary (up to 50% of salary for achieving budgeted financial and targeted non-financial objectives, with the potential to increase to 100% of salary for significant over achievement of budgeted financial objectives); LTIP award of 125% of salary vesting in full after three years (subject to satisfying performance conditions), but not exercisable until after five years, with dividend equivalents payable from the vesting date until the exercise date; pension allowance of 7% of salary; car allowance and family medical insurance.

Simon Gibbins

Salary of £212,000 pa; annual maximum bonus opportunity of 100% of salary (up to 50% of salary for achieving budgeted financial and targeted non-financial objectives with the potential to increase to 100% of salary for significant over achievement of budgeted financial objectives); LTIP award of 90% of salary vesting in full after three years (subject to satisfying performance conditions), but not exercisable until after five years, with dividend equivalents payable from the vesting date until the exercise date; pension allowance of 6.5% of salary; car allowance, family medical insurance and childcare vouchers.

Potential remuneration outcomes for the Executive Directors for the year ending 31 March 2015 are shown on page 52 of this annual report and accounts.

Directors' remuneration report

Annual report on remuneration

Information not subject to audit

Introduction

This section explains how the remuneration policy was implemented during the year under review.

An advisory resolution to approve the annual report on remuneration will be put to shareholders at the forthcoming AGM.

Information subject to audit

Single total figure of remuneration

The table below sets out the single total figure of remuneration and the remuneration breakdown for each Executive Director for the year under review and for the prior financial year. For the key features of the Executive Directors' remuneration packages for the year, please see the policy table on page 49 of this annual report and accounts.

	2014					2013						
	Salary £000	Benefits ¹ £000	Bonus ² £000	LTIP/ Option ³ £000	Pension ⁴ £000	Total £000	Salary £000	Benefits £000	Bonus £000	LTIP/ Option £000	Pension £000	Total £000
Nick Jefferies	320	11	176	65	22	594	320	11	64	558	22	975
Simon Gibbins	206	13	113	313 ⁵	13	658	206	13	41	0	14	274
Total	526	24	289	378	35	1,252	526	24	105	558	36	1,249

1 Taxable benefits comprise car allowances (£9,000 each), family medical insurance and, for Simon Gibbins, childcare vouchers. The benefits cost the Company £10,530 (Nick Jefferies) and £13,232 (Simon Gibbins).

2 Details of the calculation of the annual bonus figure for the year under review are shown below.

3 Details of the calculation of the LTIP/Option figures for the year under review are disclosed on page 41 of this annual report and accounts.

4 Pension benefits are calculated as 7.0% of salary (Nick Jefferies) and 6.5% of salary (Simon Gibbins).

5 Vesting of special award made on joining the Company.

Additional information: annual bonus for the year

Awards under the annual bonus plan are subject to demanding performance targets. For the year under review, the structure of the plan for the Executive Directors was as follows:

Financial objectives	Award level (% of salary)			
	90% of budget	Budget	Budget +10%	Budget +25%
Corporate performance				
Group EBIT	0%	20%	40%	65%
Simplified working capital	0%	10%	15%	15%
Total	0%	30%	55%	80%

Non-financial objectives	Award level (% of salary)	
	Minimum	Maximum
Personal performance		
Specified personal objectives	0%	5%
Remuneration committee discretion	0%	15%
Total	0%	20%

Each Executive Director was given a number of non-financial objectives, tailored to his role and to business requirements in the year under review. Some of these objectives are considered to be commercially sensitive, but they included delivering value enhancing acquisitions (Nick Jefferies) and ensuring the adequacy of debt funding for expansion plans (Simon Gibbins).

Directors' remuneration report Annual report on remuneration continued

The achievements against the financial and non-financial objectives were assessed by the Committee, as follows:

Financial objectives	Actual award (% of salary)	
	Nick Jefferies	Simon Gibbins
Group EBIT	20%	20%
Simplified working capital	15%	15%
Non-financial objectives		
Specified personal objectives	5%	5%
Remuneration committee discretion*	15%	15%
Total	55%	55%

* in recognition of the excellent progress which the Group had made during the year, especially in terms of:

- the increase in shareholder value;
- the good operating performance and progress with organic initiatives; and
- the successful acquisitions made during the year and the well-priced corporate disposal.

Remuneration of the Non-Executive Directors

Details of the remuneration of the Non-Executive Directors, who served during the years ended 31 March 2014 and 31 March 2013, are as follows:

Total emoluments	2014 £	2013 £
Richard Moon ¹	101,000	101,000
Eric Barton ²	11,667	35,000
Richard Brooman ³	33,333	7,500
Ian Fraser ⁴	–	22,500
Henrietta Marsh ⁵	27,500	–
Graham Williams ⁶	34,333	33,000

1 Fees are paid to Synergie Business Limited, of which Richard Moon is Chairman and a shareholder.

2 Retired as a Director with effect from 26 July 2013.

3 Appointed a Director with effect from 1 January 2013. Received a basic fee of £30,000 pa and an additional fee of £5,000 pa for chairing the Audit Committee.

4 Resigned as a Director with effect from 31 December 2012.

5 Appointed a Director with effect from 1 May 2013. Received a basic fee of £30,000 pa.

6 Received a basic fee of £30,000 pa and additional fees of £2,000 pa and £3,000 pa, respectively, for acting as Senior Non-Executive Director and for chairing the Remuneration Committee.

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2014 £	2013 £
Fees	207,833	199,000
Salary and benefits	549,761	549,548
Performance-related bonuses	289,300	105,200
Money purchase pension contributions	35,790	37,114
Total	1,082,684	890,862

Directors' remuneration report Annual report on remuneration continued

Pension arrangements

The Company does not operate a defined benefit pension scheme. However, there is a defined benefit pension scheme within the Group in the UK, namely the Sedgemoor Group Pension Fund, which was closed to new members in 2000. Pension contributions for the Executive Directors are disclosed in the policy table on page 49 of this annual report and accounts.

Executive share option schemes ("the Option Schemes")

The performance criteria for the Option Schemes are disclosed on page 49 of this annual report and accounts. Movements in the Executive Directors' holdings of options under the Option Schemes during the year under review, were as follows:

	Number held at 01.04.13	Movements during the year				Number held at 31.03.14	Vested but not exercised	Share value on vesting date £000	When exercisable
		Granted	Vested	Exercised	Lapsed				
Nick Jefferies	14,705	–	13,678	–	1,027	13,678	13,678	37	Sep 2013 to Sep 2020
Simon Gibbins	9,090	–	0	–	9,090	0	0	n/a	n/a

The option held by Nick Jefferies vested in part on 1 September 2013 and became exercisable from that date.

The option held by Simon Gibbins over 9,090 shares lapsed during the year because the Company did not satisfy the performance conditions attaching to it.

No Director exercised any executive share options during the year under review, or in the prior year.

2008 long-term incentive plan and the 2008 renewed long-term incentive plan ("the LTIPs")

The performance criteria for the LTIPs are disclosed on page 49 of this annual report and accounts. Movements in the Executive Directors' holdings of nil cost options under the LTIPs during the year were as follows:

	Number held at 01.04.13	Movements during the year				Number held at 31.03.14	Vested but not exercised	Share value on vesting date £000	When exercisable
		Granted	Vested	Exercised	Lapsed				
Nick Jefferies	584,777	–	–	–	–	584,777(v) ¹	584,777	1,257	Mar 2012 to Mar 2019
	236,759	–	10,431 ⁵	–	–	247,190(v) ²	247,190	586	Mar 2013 to Mar 2020
	131,818	–	–	–	131,818	0 ⁴	–	n/a	n/a
	192,307	–	–	–	–	192,307(nv)	–	400	Mar 2015 to Mar 2022
	169,851	–	–	–	–	169,851(nv)	–	400	Mar 2016 to Mar 2023
Simon Gibbins	–	133,064	–	–	–	133,064(nv)	–	412	Mar 2019 to Mar 2024
	179,447	–	139,860	–	39,587	139,860(v) ³	139,860	313	Jul 2013, to Jul 2020
	54,545	–	–	–	54,545	0 ⁴	–	n/a	n/a
	89,134	–	–	–	–	89,134(nv)	–	185	Mar 2015 to Mar 2022
	78,726	–	–	–	–	78,726(nv)	–	185	Mar 2016 to Mar 2023
	–	61,548	–	–	–	61,548(nv)	–	190	Mar 2019 to Mar 2024

(v) = vested; (nv) = non-vested

- Nick Jefferies holds a nil cost option over 584,777 shares in the Company, which vested and became exercisable on 31 March 2012. He has undertaken to retain, on a cumulative basis, shares under options which have become exercisable equivalent in market value (at the point of vesting) to his annual basic salary.
- The award, in the form of a nil-cost option over 269,230 shares in the Company was made to Nick Jefferies on 31 March 2010. The performance conditions attached to the award, when measured on the basis of an analysis produced by JP Morgan Cazenove, resulted in 236,759 shares vesting on 31 March 2013 and 24,109 shares vesting on 1 September 2013, of which 13,678 shares are held under the Company's 2010 Company Share Option Plan (see "Executive share options schemes ("the Option Schemes")" above).
- The award, in the form of a nil-cost option over 179,447 shares in the Company, made to Simon Gibbins on 20 July 2010, vested in part on 20 July 2013. The performance conditions attached to the award, when measured on the basis of an analysis produced by JP Morgan Cazenove, meant that 77.94% (139,860 shares) of the award vested. Mr Gibbins has undertaken to retain at least 50% of these vested shares so that, when combined with any shares which vest under the LTIPs, he builds up a holding of shares in the Company equivalent in market value (at the point of vesting) to his annual basic salary.
- As the Company did not satisfy the performance conditions attaching to them, the nil-cost options held by Nick Jefferies and Simon Gibbins over 131,818 shares and 54,545 shares, respectively, did not vest during the year, and have lapsed.
- This nil-cost option is exercisable from 1 September 2013 to 1 September 2020.

No Director exercised any LTIP share options during the year under review, or in the prior year.

Directors' remuneration report Annual report on remuneration continued

Directors' interests

The interests of the Directors who held office as at 31 March 2014 (including family interests) in the shares of the Company, were as follows:

	At 31 March 2014		At 31 March 2013	
	Ordinary shares (5p) fully paid Beneficial	Ordinary shares (5p) fully paid Non-beneficial	Ordinary shares (5p) fully paid Beneficial	Ordinary shares (5p) fully paid Non-beneficial
Nick Jefferies	36,898	–	36,735	–
Simon Gibbins	14,365	–	14,365	–
Richard Moon	65,100	–	65,100	–
Graham Williams	1,200	–	1,200	–
Richard Brooman	4,000	–	4,000	–
Henrietta Marsh	–	–	–	–

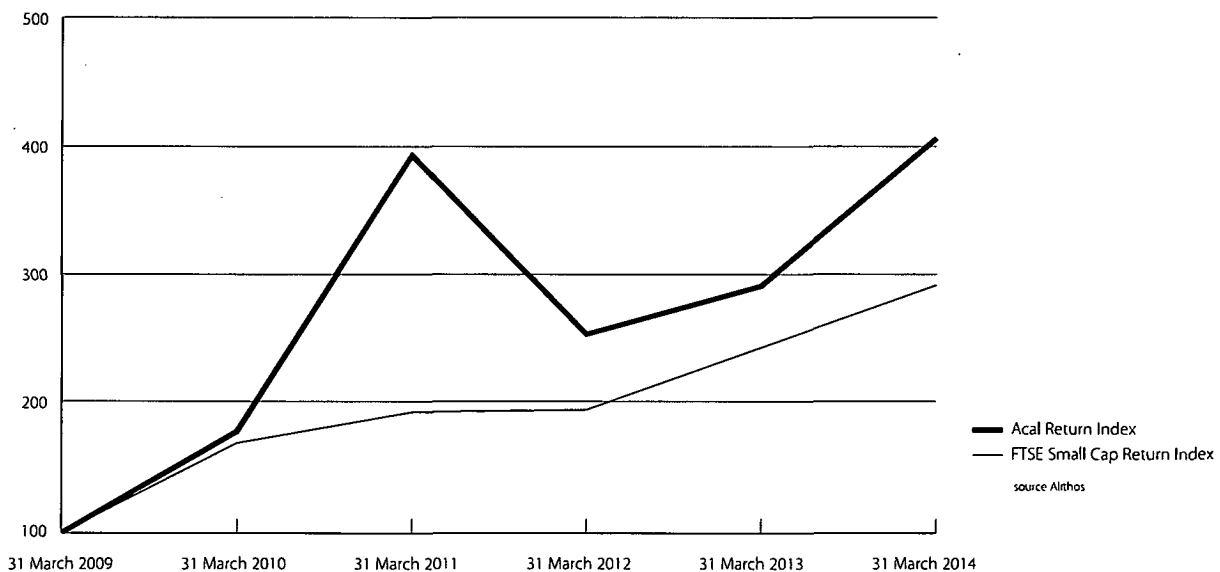
The interests of the Directors in the shares of the Company at 5 June 2014 are unchanged from those at 31 March 2014.

Information not subject to audit

Historical comparative TSR performance graph

The graph below shows the TSR (Total Shareholder Return), in terms of change in value (with dividends deemed to be re-invested gross on the ex-dividend date) of an initial investment of £100 on 1 April 2009 between that date and 31 March 2014 in a holding of the Company's shares, compared with the corresponding TSR in a hypothetical holding of £100 worth of shares in the companies represented in the FTSE Small Cap Index. This index has been chosen because, although the Company is not currently a member, it is considered to be a reasonable comparator in terms of the Company's size and its share liquidity.

Total Shareholder Return: Acal & FTSE Small Cap Index



Directors' remuneration report Annual report on remuneration continued

Group Chief Executive remuneration

The table below records the single total remuneration figure for the Group Chief Executive during each of the financial years shown. The "total remuneration" figure has been calculated on the same basis as the single total figure of remuneration disclosed on page 42 of this annual report and accounts and, therefore, includes basic salary, annual bonus, taxable benefits, pension benefits and the value of LTIPs and share options (based on the Company's share price on the date of vesting).

	2010	2011	Year ended 31 March		2014
			2012	2013	
Total remuneration (£000s)	289	310	1,615 ¹	975 ¹	594

¹ Includes vested nil-cost options, assessed using the Company's share price on the vesting dates.

Percentage increase in the remuneration of the Group Chief Executive

	2014 £000	2013 £000	% change
Group Chief Executive			
Salary	320.0	320.0	0
Benefits	11.0	11.0	0
Bonus	176.0	64.0	+175
Average per employee			
Salary	38.2	36.0	+6
Benefits	1.2	1.5	-20
Bonus	3.4	2.7	+26

The table above shows the movement in the remuneration for the Group Chief Executive between the year under review and the prior financial year, compared with the movement in the average remuneration (per head) for employees of continuing businesses, excluding acquisitions.

Relative importance of the spend on pay

The table below shows the relative importance of the spend on pay for all employees, compared with the returns distributed to shareholders, during the year under review and the prior financial year. The information is based on like-for-like constant currency, and excludes acquisitions and disposals made in the financial year ended 31 March 2014.

	2104 £m	2013 £m	% change
Remuneration paid to or receivable by all employees	44.1	41.3	+7
Distributions to shareholders by way of dividends	2.7	2.3	+17

Statement of implementation of the remuneration policy in the financial year ending 31 March 2015

The Company intends to implement the approved remuneration policy in the financial year ending 31 March 2015 in the way described in the policy table for the Executive Directors on page 49 of this annual report and accounts.

Composition and role of the Committee

The Committee is constituted, and it operated throughout the year under review, in accordance with the provisions of the UK Corporate Governance Code. It comprises Graham Williams, as Chairman, Richard Brooman (from 1 January 2014), Henrietta Marsh (from 29 May 2013) and Richard Moon. Eric Barton was a Committee member from the beginning of the year until his retirement from the Board on 26 July 2013.

The Committee is responsible for considering, and making recommendations to the Board on the remuneration of the Executive Directors. In so doing, it takes into account contractual agreements, general economic and market conditions and the level of salary increases made across the Group as a whole. Basic salary increases elsewhere in the Group are set at a business level, taking into account economic factors, competitive market rates, roles, skills, experience and individual performance. It reports to the Board on how it has discharged its responsibilities and operates within agreed terms of reference, a copy of which is available on the Company's website or on request from the Group Company Secretary.

The Committee also considers the recommendations of the Group Chief Executive with regard to the members of the Group Executive Committee who are not Executive Directors, in determining their remuneration packages, including bonuses, incentive payments, share options or other share awards.

Directors' remuneration report Annual report on remuneration continued

The change in remuneration for the Group as a whole, comparing the year under review with the prior financial year, is disclosed on page 46 of this annual report and accounts.

During the year under review, the Committee held four formal meetings at which it considered remuneration matters for the Executive Directors related to (i) elements of the structure of the annual cash bonus scheme for the 2014 financial year; (ii) the vesting of Simon Gibbins' special award; (iii) the Company's 2008 Renewed Long Term Incentive Plan and the introduction of dividend equivalents; and (iv) the annual cash bonuses payable for the 2014 financial year; (v) the basic salary awards for the 2015 financial year; (vi) the annual LTIP awards; and (vii) the component parts of the structure of the annual cash bonus scheme for the 2015 financial year.

Advisers

In the year under review, the Committee received external advice from its independent adviser, MM&K Limited. The total fees paid to MM&K Limited, in respect of services provided to the Committee during the year, were £15,000.

The Committee also received input from the Group Chief Executive, who was not present when his own remuneration was discussed, and administrative support from the Group Company Secretary.

Shareholder voting

2013 AGM resolutions	% votes for	% votes against	Number of votes withheld
Remuneration report for the previous year	96.77	0.03	3.20
2008 Renewed LTIP	93.06	6.48	0.46

As mentioned elsewhere in this annual report and accounts, the Committee takes notice of the views of the Company's key shareholders on remuneration and engages with them, as appropriate. The decision taken by a major shareholder to vote against the resolution to approve the Acal plc 2008 Renewed Long Term Incentive Plan, proposed at the 2013 AGM, was discussed with them and found not to be specific to the Company.

Directors' remuneration report

Directors' remuneration policy *Information not subject to audit*

Introduction

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, shareholders will be provided with the opportunity to endorse our remuneration policy through a binding vote for the first time at this year's AGM on 29 July 2014. Subject to shareholder approval, the policy will be implemented, as described, from that date.

The Committee regularly reviews the Executive Directors' remuneration packages to ensure that they reflect the Company's own particular circumstances and are aligned with the Company's key strategic objectives, as set out in the Strategic Report on pages 1 to 24 of this annual report and accounts, and with the long-term interests of its shareholders.

When setting the remuneration policy, the Committee:

- considers market practice in terms of the size and structure of executive remuneration;
- takes account of pay and employment conditions elsewhere in the Group;
- ensures that the incentive arrangements encourage responsible behaviour in all aspects of the Company's business, including financial, social, environmental and governance aspects; do not encourage excessive risk-taking; and are compatible with the Company's risk policies and procedures. The Committee has the discretion to consider corporate performance on these issues, when setting remuneration, including bonuses and LTIP awards;
- enters into open dialogue and consults with key shareholders, when looking to make material changes to the remuneration policy. In the event of exceptional circumstances, or a significant change in the strategy of the Group, the Committee believes it is important that it has the flexibility to review and change the remuneration policy to best fit those circumstances. However, it will consult key shareholders and then seek shareholders' approval to such changes.

The Committee believes that the Executive Directors' remuneration policy, described more fully in the policy table on page 49 of this annual report and accounts, enables the Company to recruit high quality staff in new and higher technology areas and to retain its most able people. It places great importance on the balance between:

- fixed and variable pay, ensuring that a significant proportion of the overall package is performance-related;
- short-term and long-term incentives; and
- cash-based and share-based remuneration.

Remuneration policy discretions

Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce (other than in the case of an executive promoted to a more senior role), but may, in exceptional circumstances, such as the need to retain a critical executive, be increased by a larger amount.

The Committee will operate the annual bonus, share option schemes and LTIPs according to their respective rules (or relevant documents) and in accordance with the UKLA Listing Rules, where relevant. The Committee retains discretion, consistent with market practice, in a number of respects in the operation and administration of these plans. These include, but are not limited to, the following in relation to the share option schemes and the LTIPs:

- the participants;
- the timing of the grant of an award;
- the size of an award;
- the determination of vesting;
- discretion required, when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers, based on the rules of the particular plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weighting, and targets for the share option schemes and LTIPs, from year to year.

In relation to the annual bonus plan, the Committee retains discretion over:

- the participants;
- the timing of the award of a payment;
- the determination of the bonus payment;
- dealing with a change of control;
- determination of the treatment of leavers, based on the rules of the plan and the appropriate treatment chosen; and
- the annual review of performance measures and weighting, and targets for the annual bonus plan, from year to year.

In relation to the Company's share option schemes, LTIPs and annual bonus plan, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. a material acquisition and/or the divestment of a Group business) which cause it to determine (a) that the conditions are no longer appropriate and (b) that the amendment is required, so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Where relevant, any use of the above discretions will be explained in the annual report on remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Details of share awards granted to the current Executive Directors are disclosed on page 44 of this annual report and accounts. These awards remain eligible to vest, based on their original award terms.

Directors' remuneration report Directors' remuneration policy continued

Policy table for Executive Directors – key elements of remuneration

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary	To attract and retain quality staff.	Reviewed annually and normally fixed for 12 months, commencing 1 April. Decision influenced by: <ul style="list-style-type: none"> role, experience and performance; average change in broader workforce pay; total organisational salary budgets. <p>Salaries are benchmarked against companies of comparable size and complexity, operating internationally, in similar sectors.</p>	None	Not applicable
Benefits	To provide competitive rewards for staff welfare.	Directors are entitled to healthcare, car allowance, life assurance and critical illness cover (and, for Simon Gibbins, child care vouchers).	None	Not applicable
Pension	To facilitate long-term savings provision.	The Company operates a defined contribution pension scheme.	Maximum Company contribution of 7.0% of basic salary (Nick Jefferies) and 6.5% of basic salary (Simon Gibbins)	Not applicable
Annual bonus	To reward the achievement of annual financial and strategic business targets.	Financial and non-financial objectives are renewed annually, with the financial objectives relating to the trading performance which the executive can influence.	Target % of salary: 50% for achievement of budgeted financial and non-financial objectives. Potential to increase to 100% of salary for significant over-achievement of budgeted financial objectives	Group EBIT: up to 65% of salary for over-budget performance. SWC: up to 15% of salary for over-budget performance. Non-financial objectives: up to 20% of salary. (SWC = Simplified Working Capital)
Long Term Incentive Plan	To motivate executives to deliver shareholder value over the longer term.	Awards of conditional shares under nil-cost options are granted annually, with vesting dependent on the achievement of performance conditions over the following three years.	Maximum % of salary: 150%	The exercise of an award is dependent upon the individual's continued employment for a five-year holding period from the date of grant and the satisfaction by the Company of certain performance conditions over the three-year vesting period, which are currently as follows: <ul style="list-style-type: none"> 50% of the award is based on the Company's total shareholder return against a comparator group made up of the constituents of the FTSE Small Cap Index, with vesting as follows: Median = 25%; Upper Quartile = 100%; and 50% of the award is based on the Company's absolute total shareholder return, as measured against the Consumer Price Index ("CPI"), with vesting as follows: CPI + 10% = 25%; CPI + 20% = 100%

Directors' remuneration report Directors' remuneration policy continued

Retirement and re-election of Directors

In accordance with the Company's Articles of Association, each Director has to be elected by the shareholders at the AGM following their appointment as a Director, and to retire, and be subject to re-election, at the AGM of the Company at intervals of not more than three years.

Non-Executive Directors, who have served for more than nine years, are subject to annual re-election. Any recommendation to re-appoint a Non-Executive Director is preceded by a rigorous review by the Nomination Committee. This review takes into account his/her performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required, plus his/her independent status. The need for progressive refreshment of the Board is also considered.

See the Corporate Governance section of this annual report and accounts for further details on the retirement and re-election of Directors.

External appointments

The Executive Directors are entitled to accept appointments outside the Group, provided that the Chairman's permission is obtained in advance of accepting an appointment and specific approval is given by the Board. Neither of the Executive Directors who served during the year held any non-executive appointments outside the Group.

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 meeting performance targets set by the Committee at the time of grant. Although there have been variations in the size of awards 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 is also 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 percentage points per annum.

The Group also operates an 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, which the Committee determines to be appropriate.

A new unapproved executive share option scheme for executives below the Board was adopted by the Board on 28 May 2014, and will be put forward for shareholder approval at the Company's AGM to be held on 29 July 2014. The rules are similar to the rules of the CSOP mentioned above.

(b) Long-term incentive plans (the "LTIPs")

The Company operates two LTIPs, namely the 2008 Long-Term Incentive Plan ("the 2008 LTIP"), which was closed to the granting of new awards during the year under review, and the 2008 Renewed Long-Term Incentive Plan ("the 2008 Renewed LTIP"), under which the first awards were granted on 31 March 2014.

The LTIPs involve participants receiving awards of nil-cost options. In the opinion of the Committee, the LTIPs provide a strong link between management reward and the corporate performance experienced by shareholders, while encouraging key executives to build and maintain a shareholding.

The rules of the LTIPs are virtually identical and provide that, each year, the Executive Directors, and selected senior managers, are eligible to be granted nil cost options over shares worth up to a maximum of 150 per cent of base salary. Subject to this limitation, actual grant levels are determined by the Committee, based upon factors such as the individual's contribution to the Group's success.

Pursuant to the rules of the 2008 Renewed LTIP, approved by shareholders in July 2013, awards which vest must be held for a further two years before they become exercisable. For awards granted from 31 March 2014, vested awards will attract dividend equivalents, from the date of vesting up until the date of exercise. Consequently, when the awards have been exercised, additional company shares will be transferred to the individual, equivalent to the dividends (interim and final) paid by the Company from the time when the awards vested to the date on which they are exercised. In calculating the number of additional shares to be awarded by way of dividend equivalents, the Company's closing share price on the business day immediately preceding the date of exercise will be used.

The performance conditions which apply to the 2008 Renewed LTIP will be kept under review by the Committee to ensure that they remain aligned with the Company's strategy. Therefore, they may be subject to change for future grants in order to reflect this strategy. Any change might require prior consultation with the Company's major shareholders.

Directors' remuneration report Directors' remuneration policy continued

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 rate depends upon the level of contribution the member has chosen to pay but is generally 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.

Salary Exchange

With effect from 1 March 2013, the Company introduced a Salary Exchange arrangement for the payment of personal pension contributions. Under the arrangement, an employee agrees to give up an amount of salary equal to their personal pension contribution to the Acal Group Employee Pension Scheme ("the Scheme"). In exchange, the Company pays an amount directly into the Scheme on their behalf, additional to the employer's pension contribution already paid to the Company. The arrangement is beneficial for both an employee and the Company and has been approved by HMRC.

Fees for Non-Executive Directors

Fees for Non-Executive Directors are determined on behalf of the Board by the Non-Executive Directors' Remuneration Committee, comprised solely of the Executive Directors, 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. As disclosed on page 43 of this annual report and accounts, additional fees, over and above the base fee payable to the Non-Executive Directors, are payable to the Chairmen of the Audit and Remuneration Committees and to the Senior Non-Executive Director.

With effect from 1 April 2014, the fees of the Non-Executive Directors, including the additional fees payable as mentioned above, were as follows:

Richard Moon	£104,000 pa
Richard Brooman	£35,000 pa
Henrietta Marsh	£32,000 pa
Graham Williams	£37,000 pa

Recruitment policy for Executive Directors

Principles

When appointing or recruiting an Executive Director, the Company will normally aim to set remuneration at a level which is consistent with the remuneration policy in place for other Executive Directors and for the previous incumbent in the role.

Details

The main components of remuneration will be salary, bonus, long-term incentives, share options, pension (or cash pension allowance), benefits (which may include those relating to relocation such as: flights; immigration costs; relocation allowance; shipping and storage; temporary living accommodation; housing allowances; annual leave travel; international medical insurance cover; legal and tax services; school fees; school search; movement of pets; termination of car leases and costs of replacement goods) and compensation for loss of earnings from his/her previous employment which are forfeited in order to take up the role.

The approach for each component will be to set each in line with the remuneration policy for Directors, except that the approach in respect of compensation for forfeit of remuneration in respect of a previous employer will be considered on a case by case basis taking into account all relevant factors, such as performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award.

Maximum

In order to secure the best candidate for the role, the Company may need to pay more than it pays to its existing Executive Directors. The maximum level of variable remuneration that may be granted will be 100% of salary under the bonus plan, 150% under the LTIP and the HMRC maximum under the approved share option schemes (these limits already apply to the existing bonus, LTIP plans and share option schemes). Pre-existing contractual agreements for internal candidates may be maintained on recruitment to an Executive Director role.

Directors' contracts

Nick 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. Simon 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 to the Non-Executive Directors:

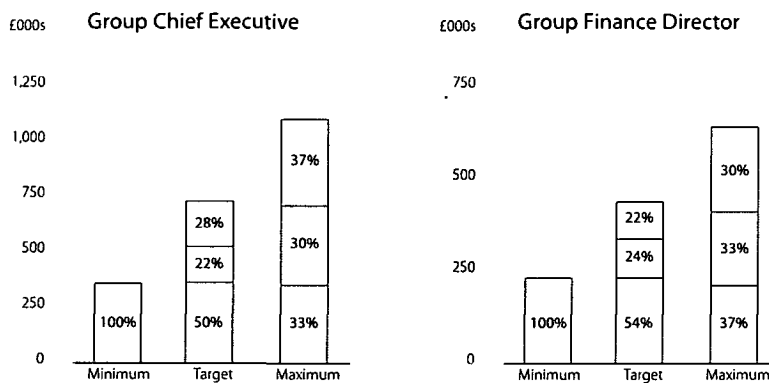
- with Synergie Business Limited for the provision of the services of Richard Moon dated 31 March 2005 (as amended), which expires on 31 March 2015 and which may be terminated by six months' notice.
- with Graham Williams for his services dated 29 September 2003 (as amended), which expires on 30 June 2015 and which may be terminated by three months' notice.
- with Richard Brooman for his services dated 7 December 2012 (as amended), which expires on 31 December 2014 and which may be terminated earlier.
- with Henrietta Marsh for her services dated 22 April 2013 (as amended), which expires on 30 April 2015 and which may be terminated earlier.

Directors' remuneration report Directors' remuneration policy continued

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.

Illustrations of the application of the Executive Directors' remuneration policy

The bar charts below illustrate the application of the remuneration policy for the financial year 2015, which will be voted on by shareholders at the 2014 AGM.



1. Minimum in the bar charts above is fixed remuneration only (i.e. salary, pension and benefits).
2. Target assumes that the standard Long-Term Incentive Plan (LTIP) award (50% of award; coloured grey) and target bonus (50% of salary; coloured pale blue) have been awarded as stated in the policy table on page 49 of this annual report and accounts.
3. Maximum assumes that the maximum LTIP award (100% of award; coloured grey) and the maximum bonus (100% of salary; coloured pale blue) have been awarded as stated in the policy table on page 49 of this annual report and accounts.

Policy on payment for loss of office

Policy on setting of notice periods

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 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 manage its exposure to the risk of a potential termination payment in the event of failure.

How termination payments are determined

On termination, the Company will normally make a payment in lieu of notice (PILON) which is equal to the aggregate of: the basic salary at the date of termination for the applicable notice period; the pension allowance over the relevant period; the cost to the Company of providing all other benefits (excluding pension allowance and bonus) or a sum equal to the amount of benefits as specified in the Company's most recent annual report and a bonus payment calculated in accordance with the service contract of the Director. The treatment of the LTIP awards on termination will be in accordance with the rules of the LTIPs and, where appropriate, at the discretion of the Committee.

The Company may pay the PILON either as a lump sum or in equal monthly instalments, from the date on which the employment terminates until the end of the relevant period. If alternative employment (paid above a pre-agreed rate) is commenced, for each month that instalments of the PILON remain payable, the amounts, in aggregate (excluding the pension payment), may be reduced by half of one month's basic salary in excess of the pre-agreed rate.

Discretion

If identified as a 'good leaver', for the purposes of the bonus plan, the Committee may determine that the leaver's contribution was significant in early or high achievement of targets, in which case, it may decide to make a payment which is the equivalent of up to a full year's bonus.

If identified as a 'good leaver' under the LTIPs and share option schemes' rules, (including those identified as being at the discretion of the Committee), outstanding awards may be exercised, normally pro-rated for service up until the date of leaving and subject to the outcome of the performance conditions, either on the normal vesting date or on such earlier date as the Committee may determine, to the extent that they have vested. If, in the judgment of the Committee, greater progress towards achievement of targets has been made as a result of the performance of the Executive Director, it may, at its absolute discretion, decide to vest up to 100% of the outstanding award.

The Committee may also agree to make payments in respect of statutory employment claims, reasonable legal fees, outplacement and accrued holiday or sick leave.

Directors' remuneration report Directors' remuneration policy continued**Consideration of employment conditions elsewhere in the Group**

The remuneration policy implemented for the current Executive Directors is more weighted towards performance-related pay than for other employees. The reason for this is to establish a clear link between the creation of shareholder value and the remuneration received by the Executive Directors. However, the benefits and pension arrangements for the current Executive Directors are on similar terms to those offered to eligible employees below the Board.

As mentioned on page 46 of this annual report and accounts, when setting the Directors' remuneration policy the Committee takes account of pay and employment conditions elsewhere in the Group, but has not used any remuneration comparison measures between the Executive Directors and other employees.

Consideration of shareholder views

The Committee's policy is to receive updates on the views of shareholders and their representative bodies on best practices, and take these into account. It seeks the views of key shareholders on matters of remuneration in which it believes they may be interested. In the Committee's opinion, the 97% vote (excluding votes against and votes withheld) in favour of the Directors' Remuneration Report at the Annual General Meeting in 2013 demonstrated strong shareholder support for the Group's remuneration arrangements.

Where individual shareholders have voted against the Company's policy or abstained, the Committee seeks to engage with them, to understand their concerns, as part of determining remuneration policy.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with law and regulations.

Company law requires the Directors to prepare financial statements for each year. Under the provisions of this law, the Directors have prepared the consolidated financial statements in accordance with IFRS as adopted by the European Union and the Company financial statements in accordance with United Kingdom (UK) Accounting Standards and applicable law.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the consolidated financial statements have complied with IFRS as adopted by the European Union, subject to any material departures being disclosed and explained;
- state for the Company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 consolidated financial statements comply with Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report for the year ended 31 March 2014 is published in hard copy printed form and made available on the Group's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

The Directors individually and together, as at the date of this Report, confirm to the best of their knowledge that:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that the Group faces; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Acal plc

Group financial statements
for the year ended 31 March 2014

Report of the auditor

Independent auditor's report to the members of Acal plc

In our opinion, the Group financial statements:

- give a true and fair view of the state of the Group's affairs at 31 March 2014, 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.

What we have audited

We have audited the Group financial statements of Acal plc for the year ended 31 March 2014, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 37. 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 54, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks that we believe have the greatest impact on our audit strategy and scope; the allocation of resources in the audit; and directing the efforts of the engagement team:

- the potential impairment of goodwill and other non-current assets;
- incorrect valuation of the defined benefit pension scheme liability;
- accounting for acquisitions and disposals;
- the recognition and valuation of judgmental provisions;
- inappropriate revenue recognition; and
- the presentation of items as exceptional.

Our application of materiality

We applied the concept of materiality both in planning and performing our audit, and in evaluating the effects of misstatements on our audit and the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the financial statements would be changed or influenced. We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £357,000, which is approximately 5% of earnings before interest and tax ('EBIT'), adjusted for exceptional items. On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group is £268,000. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of £357,000 for the financial statements as a whole.

We agreed with the audit committee that we would report all identified audit differences in excess of £18,000, as well as differences below that threshold that in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit focused on the Group's principal trading locations and cost centres which were identified based on our assessment of higher risk areas and locations that were considered material based on size, complexity and risk. We focused our group audit on 14 components, which comprised 82% of consolidated EBIT and 77% of consolidated revenue. We performed full scope procedures on 10 of the 14 components and specific audit testing on the remaining 4 components. The audits of these components were performed at a materiality level calculated as a proportion of Group materiality appropriate to the relative scale and risk of the location. We performed analytical procedures on other components to confirm there were no significant risks of material misstatement in the Group financial statements.

Report of the auditor continued

The audit of all the UK components was performed by the Group audit team, who also attended key meetings of the most significant international components to discuss the results of their testing of higher risk areas relevant to the Group. All significant locations were audited by Ernst & Young member firms. Due to the nature of the risks noted on the previous page, the Group audit team was supported by actuarial and business modelling experts, and taxation specialists.

The principal way in which we scoped our response to the risks set-out previously was as follows:

- We challenged whether cash flow forecasts underpinning the goodwill impairment review were reasonable, based on our knowledge of the Group's markets and the accuracy of previous forecasts. Key assumptions that were challenged included growth rates, perpetuity rates and sensitivities. We noted material headroom for all CGUs, and involved our business modelling experts in determining whether the discount rates applied were within an acceptable range. We also challenged the impairment of goodwill arising from the subsidiary disposed of subsequent to the year-end. We noted no further indicators of impairment of other non-current assets;
- Our actuarial experts were involved in challenging key assumptions supporting the measurement of the net defined benefit scheme obligation. We tested the valuation of plan assets with reference to quoted market prices and confirmed their existence with plan custodians. We also verified the application of the revisions to IAS 19 'Employee Benefits';
- We reviewed key supporting agreements in respect of all three business combinations in the year, and questioned the accounting for earn-outs and deferred consideration. We challenged the recognition of intangible assets and involved our business modelling experts in determining whether an appropriate valuation model was used, whether inputs to the valuation model were reasonable and whether an appropriate discount rate was applied. We considered the presentational impact on the financial statements as a whole of the disposal during the year, and the disposal announced subsequent to the year-end, which is disclosed as a subsequent event;
- We challenged the basis surrounding the measurement and recognition of judgmental provisions, which involved understanding the key assumptions underlying the computation of the provisions. Our procedures focused on transfer pricing provisions, judgmental restructuring accruals and other routine judgmental provisions (service guarantees, onerous leases and dilapidations);
- We tested key controls supporting revenue recognition and performed substantive and analytical procedures in verifying whether the revenue recognition criteria had been met. We tested the timing of revenue recognition and whether the stated accounting policies were appropriate; and
- We considered items presented as exceptional to ensure that they warranted the additional disclosure outlined in IAS 1 'Presentation of Financial Statements'.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee, which we consider should have been disclosed.

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

- returns adequate for our audit have not been received from sites not visited;
- the part of the Directors' Remuneration Report not to be audited is not in agreement with accounting records or returns
- 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 30 and 31, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Other matter

We have reported separately on the Parent Company financial statements of Acal plc for the year ended 31 March 2014 and on the information in the directors' remuneration report that is described as having been audited.

Nick Powell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 June 2014

Notes:

- 1 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 2014

	notes	2014 £m	2013 restated* £m
Continuing operations			
Revenue	4	211.6	177.4
Cost of sales		(148.6)	(123.0)
Gross profit		63.0	54.4
Selling and distribution costs		(36.5)	(30.7)
Administrative expenses (including exceptional items)		(21.3)	(22.3)
Operating profit	7	5.2	1.4
Finance revenue	9	0.2	0.2
Finance costs	9	(1.2)	(0.9)
Profit before tax:		4.2	0.7
Tax (expense)/credit	10	(0.5)	1.4
Profit for the year from continuing operations		3.7	2.1
Discontinued operations			
Loss for the year from discontinued operations	13	(2.4)	(4.0)
Profit/(loss) for the year		1.3	(1.9)
Earnings/(loss) per share			
Basic, profit from continuing operations	15	11.8p	7.4p
Diluted, profit from continuing operations		11.1p	7.1p
Basic, profit/(loss) for the year		4.2p	(6.7)p
Diluted, profit/(loss) for the year		3.9p	(6.7)p

Supplementary income statement information

Underlying performance measure	notes	2014 £m	2013 restated* £m
Operating profit	7	5.2	1.4
Add back: Exceptional items	6	0.7	3.1
Amortisation of acquired intangible assets	19	1.0	0.7
IAS 19 pension administrative charge	34	0.2	0.3
Underlying operating profit		7.1	5.5
Profit before tax		4.2	0.7
Add back: Exceptional items	6	0.7	3.1
Amortisation of acquired intangible assets	19	1.0	0.7
Total IAS 19 pension charge	34	0.4	0.5
Underlying profit before tax		6.3	5.0
Underlying earnings per share			
Basic	15	17.2p	14.0p
Diluted		16.2p	13.5p

* Prior year restated for discontinued operations (note 13) and adoption of IAS19R-Employee Benefits (note 2)

Consolidated statement of comprehensive income

for the year ended 31 March 2014

	notes	2014 £m	2013 restated* £m
Profit/(loss) for the year		1.3	(1.9)
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Actuarial loss on defined benefit pension scheme	34	(1.1)	(1.0)
Deferred tax relating to the defined benefit pension scheme	10	0.1	0.2
		(1.0)	(0.8)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		(1.8)	0.8
Other comprehensive income for the year, net of tax		(2.8)	-
Total comprehensive income for the year, net of tax		(1.5)	(1.9)


* Prior year restated for adoption of IAS19R-Employee Benefits (note 2)

Consolidated statement of financial position

at 31 March 2014

	notes	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment	16	3.5	3.1
Intangible assets – goodwill	17	21.2	21.0
Intangible assets – other	19	4.3	3.2
Deferred tax assets	10	4.1	3.6
		33.1	30.9
Current assets			
Inventories	21	19.4	19.3
Trade and other receivables	22	48.3	44.7
Cash and cash equivalents	23	18.1	17.8
		85.8	81.8
Assets in disposal group classified as held for sale	13	6.9	–
Total assets		125.8	112.7
Current liabilities			
Trade and other payables	30	(45.7)	(42.5)
Other financial liabilities	24	(6.8)	(4.3)
Current tax liabilities		(2.7)	(2.4)
Provisions	27	(1.7)	(1.7)
		(56.9)	(50.9)
Non-current liabilities			
Other financial liabilities	24	(9.5)	(1.7)
Pension liability	34	(6.5)	(6.5)
Provisions	27	(2.0)	(1.4)
Deferred tax liabilities	10	(1.0)	(0.7)
		(19.0)	(10.3)
Liabilities in disposal group classified as held for sale	13	(1.4)	–
Total liabilities		(77.3)	(61.2)
Net assets		48.5	51.5
Equity			
Share capital	31	1.6	1.6
Share premium		40.7	40.7
Other reserve	31	–	5.5
Merger reserve		3.0	3.0
Currency translation reserve		0.2	2.0
Retained earnings		3.0	(1.3)
Total equity		48.5	51.5

These financial statements were approved by the Board of Directors on 5 June 2014 and signed on its behalf by:


N J Jefferies
 Chief Executive


S M Gibbins
 Group Finance Director

Consolidated statement of changes in equity

for the year ended 31 March 2014

	Attributable to equity holders of the Company						
	Share capital £m	Share premium £m	Other reserve £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2012	1.4	40.7	–	3.0	1.2	2.8	49.1
Loss for the year (restated*)	–	–	–	–	–	(1.9)	(1.9)
Other comprehensive income (restated*)	–	–	–	–	0.8	(0.8)	–
Total comprehensive income	–	–	–	–	0.8	(2.7)	(1.9)
Shares issued (note 31)	0.2	–	5.9	–	–	–	6.1
Share issue costs (note 31)	–	–	(0.4)	–	–	–	(0.4)
Share-based payments including tax	–	–	–	–	–	0.9	0.9
Equity dividends (note 14)	–	–	–	–	–	(2.3)	(2.3)
At 31 March 2013	1.6	40.7	5.5	3.0	2.0	(1.3)	51.5
Profit for the year	–	–	–	–	–	1.3	1.3
Other comprehensive income	–	–	–	–	(1.8)	(1.0)	(2.8)
Total comprehensive income	–	–	–	–	(1.8)	0.3	(1.5)
Share-based payments including tax	–	–	–	–	–	1.2	1.2
Equity dividends (note 14)	–	–	–	–	–	(2.7)	(2.7)
Transfer of other reserve	–	–	(5.5)	–	–	5.5	–
At 31 March 2014	1.6	40.7	–	3.0	0.2	3.0	48.5

* Prior year restated for adoption of IAS19R-Employee Benefits (note 2)

Nature and purpose of other reserves:

Other reserve

The other reserve arose in the prior year, as a consequence of the placing of 2,816,704 new ordinary shares. The placing structure attracted merger relief under section 612 of the Companies Act 2006 resulting in a net credit to the other reserve of £5.5m. During the current year, upon completion of the placing structure, the full amount became distributable and was therefore transferred to retained earnings.

Merger reserve

A £3.0m merger reserve arose as a consequence of the acquisition in 1987 of Acal Electronics Holdings 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 results and financial position of subsidiaries denominated in foreign currencies.

Consolidated statement of cash flows

for the year ended 31 March 2014

	notes	2014 £m	2013 £m
Net cash flows from operating activities	26	4.1	3.7
Investing activities			
Acquisition of shares in subsidiaries (net of cash/(debt) acquired)	11	(12.5)	–
Payment of contingent consideration	11	–	(2.0)
Proceeds from the disposal of business (net of disposal costs)	12	3.3	1.5
Purchases of property, plant and equipment		(0.7)	(1.0)
Purchase of intangible assets – software		(0.7)	(0.3)
Interest received	9	0.2	0.2
Net cash used in investing activities		(10.4)	(1.6)
Financing activities			
Net proceeds from issue of shares	31	–	5.7
Proceeds from borrowings		8.0	1.7
Repayment of borrowings		(0.8)	(0.9)
Dividends paid	14	(2.7)	(2.3)
Net cash from financing activities		4.5	4.2
Net (decrease)/increase in cash and cash equivalents*		(1.8)	6.3
Cash and cash equivalents at 1 April		14.4	7.9
Effect of exchange rate fluctuations		(0.7)	0.2
Cash and cash equivalents at 31 March		11.9	14.4
Reconciliation to cash and cash equivalents in the consolidated statement of financial position			
Cash and cash equivalents shown above		11.9	14.4
Add back: bank overdrafts	24	6.7	3.4
Less: cash held for sale in disposal group	13	(0.5)	–
Cash and cash equivalents presented in current assets in the consolidated statement of financial position	23	18.1	17.8

* Further information on the consolidated statement of cash flows is provided in notes 25 and 26.

Notes to the group financial statements

for the year ended 31 March 2014

1 Authorisation of financial statements and statement of compliance with IFRS

The financial statements, which comprise the results of Acal plc ('the Company') and its subsidiaries (collectively referred to as 'the Group') for the year ended 31 March 2014 were authorised for issue by the Board of Directors on 5 June 2014. 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 significant accounting policies adopted by the Group are set out in note 2.

2 Accounting policies

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), 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 as otherwise indicated.

Basis of consolidation

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

Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 March 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Associates

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 financial and operating policy decisions, but not to execute 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 consolidated statement of financial position 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.

Changes in accounting policy and disclosures

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

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Except as noted below, adoption of these standards did not have any significant effect on the financial performance or position of the Group. They have given rise to additional disclosures. The other pronouncements which came into force during the year were not relevant to the Group.

Notes to the group financial statements continued

2 Accounting policies continued

IAS19R-Employee Benefits

The consolidated income statement, the consolidated statement of comprehensive income and related notes for the year ending 31 March 2013 have been restated following amendments to IAS 19 'Employee Benefits'. The amendments require the return on defined benefit pension scheme assets to be calculated using the same discount rate that is applied to the present value of the defined benefit obligation. In addition, administration costs of the legacy defined benefit pension scheme, which are managed and paid by the Scheme Trustees, are required to be included in administrative expenses, rather than offset against the return on scheme assets in comprehensive income.

The impact of these changes to comparative amounts is as follows:

	Year ended 31 March 2013 £m
Loss for the year as previously reported	(1.8)
Increase in administrative expenses	(0.3)
Decrease in finance costs	0.2
Loss for the year (restated)	(1.9)
Other comprehensive income as previously reported	(0.1)
Reduction in re-measurement losses on defined benefit pension scheme	0.1
Other comprehensive income (restated)	–

IAS1 Presentation of items of Other Comprehensive Income ("OCI")

The amendments to IAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments only affect presentation and have no impact on the Group's financial position or performance.

IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

Going concern

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report on pages 16 to 20.

The Group has significant 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 principal risks and uncertainties as disclosed on pages 21 and 22 of the Strategic Report.

The Group's forecasts and projections, taking account of the sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within the level of its current committed facilities for the foreseeable future.

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.

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

"Underlying operating profit" is defined as operating profit from continuing operations excluding exceptional items, amortisation of acquired intangible assets and the IAS19 pension charge.

Underlying profit before tax

"Underlying profit before tax" is defined as profit from continuing operations before tax excluding exceptional items, amortisation of acquired intangible assets and the IAS19 pension charge relating to the Group's legacy defined benefit pension scheme.

Notes to the group financial statements continued

2 Accounting policies continued

Underlying effective tax rate

"Underlying effective tax rate" is defined as the effective tax rate on underlying profit before tax.

Underlying earnings per share

"Underlying earnings per share" is calculated as underlying profit 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 EBITDA

"Underlying EBITDA" is defined as underlying operating profit with depreciation, amortisation and equity settled share based payments expense added back.

Free cash flow

"Free cash flow" is defined as net cash flow before the payment of exceptional items, payments to the legacy defined benefit pension scheme, dividend payments, net proceeds from equity fund raising, the cost of acquisitions and proceeds from business disposals.

Return on trading capital employed ("ROTCE")

"ROTCE" is defined as underlying operating profit as a percentage of net operating assets. Net operating assets are defined as tangible and intangible assets (excluding goodwill) plus working capital.

Like for like basis

Reference to 'like for like' basis included in the Chairman's statement, Chief Executive's Operating review and Finance review of the Strategic Report means excluding acquisitions and disposals for the whole of the period and comparative period and at constant exchange rates.

Business combinations and goodwill

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 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 IFRS. 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.

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 the consolidated income statement.

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 business 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 shall 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 disposed of operation 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.

Notes to the group financial statements continued

2 Accounting policies continued**Intangible assets – other**

All intangible assets, excluding goodwill arising on a business combination, are stated at their amortised cost or fair value less any provision for impairment.

a Software

Implementation costs of IT systems, and computer software, are amortised on a straight-line basis over their estimated useful lives.

b Acquired intangible assets – business combinations

Intangible assets that are acquired as a result of a business combination include customer and supplier relationships and brands that can be separately identified and measured at fair value on a reliable basis, together with the associated deferred tax liability. Amortisation is charged to the consolidated income statement on a straight line basis over the expected useful economic lives as follows.

Customer and supplier relationships	5 years
Brands	5 years

Property, plant and equipment

Property, plant and equipment is 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 at the following rates:

Freehold land	nil
Freehold property	2-3% per annum
Leasehold improvements	10-20% per annum or over the life of the lease
Plant and equipment	10-33% per annum

Property, plant and equipment is reviewed for impairment in accordance with IAS 36 'Impairment', when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Impairment of assets

At each reporting date, the Group reviews the carrying value of its assets to determine whether there is any indication that the assets are impaired. If any such indication exists, or when annual impairment testing for an asset is required, such as in the case of goodwill, 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 and an impairment loss is immediately recognised as an expense.

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 an 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 consolidated income statement. Any impairment charge on goodwill is not reversed.

Financial assets

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 reporting date which are classified as non-current assets. Loans and receivables are presented in trade and other receivables in the consolidated statement of financial position.

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 over due balances. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above, net of outstanding bank overdrafts to the extent that offsetting agreements are in place.

Notes to the group financial statements continued

2 Accounting policies continued

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 consolidated 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 the provision for onerous contracts, an assessment is made for impairment of any related assets.

Provisions are discounted to present value when the effect is material using a discount 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 exceptional items by virtue of their nature, size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes, where material, the profit or loss on disposal of property, investments or businesses and other financial assets, asset impairments, significant restructuring and acquisition and related integration and earn-out costs 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 reporting date and gains or losses on translation are included in the consolidated 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 consolidated 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.
- b Revenue from rendering of services, which primarily comprise 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 the dividend is approved by the directors in the 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.

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

The Group has not entered into any material finance leases.

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.

Notes to the group financial statements continued

2 Accounting policies continued

Pensions

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

In respect of defined benefit pension schemes, the obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation 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 consolidated 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 reporting 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 reporting date is recognised in the consolidated income statement, with a corresponding entry in equity.

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 reporting 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 reporting date.

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 consolidated 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.

Any gains or losses arising from changes in the fair value of forward currency contracts are taken to the consolidated income statement.

Notes to the group financial statements continued

2 Accounting policies continued

Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the disposal group will be made. Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operations if it is:

- a component of the Group that is a CGU or a group of CGUs;
- classified as held for sale or already disposed in such a way; or
- a major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in note 13. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Significant accounting judgements and estimates

Estimation uncertainty

Key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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 is impaired in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows and the selection of suitable discount rates (note 18).

The recognition and quantification of provisions

Judgement is used in determining the value of provisions carried. For onerous contracts, which relate to property, this is primarily based around assumptions on rent and related costs for the period the property is vacant and assumptions over future rental incomes. Other provisions are estimated based on factors such as historical experience and expectations of future events that management believe to be reasonable. Note 27 provides details of provisions.

Fair value of assets acquired in a business combination

Judgements and estimates are required in assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets. Note 11 provides details on business combinations.

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. The actuarial assumptions used in determining the carrying amount at 31 March 2014 are set out in note 34.

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 reporting 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.

Current assets

In the course of normal trading activities, judgement is used to establish the carrying value of various elements of working capital, principally inventory and trade receivables. Provisions are made against obsolete or slow-moving inventories and doubtful debts. The provisions are based on the facts available at the time the financial statements are approved and are also determined by using profiles, based on past practice, applied to certain aged inventory and trade receivables categories.

Notes to the group financial statements continued

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, become effective after the current year end and have not been early adopted by the Group:

International Accounting Standards (IAS/IFRS/IFRIC)		effective date
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 28 (R)	Investments in Associates and Joint Ventures	1 January 2014
IAS 27 (R)	Separate financial statements	1 January 2014
IAS 32	Amendment – offsetting of financial assets and financial liabilities	1 January 2014
IAS 36	Amendment – impairing of assets	1 January 2014
IAS 39	Amendment – financial instruments: recognition and measurement	1 January 2014
IFRIC 21	Levies	1 January 2014

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

4 Revenue

Group revenue is analysed below:

	2014 £m	2013 £m
Sale of goods	208.3	173.4
Rendering of services	3.3	4.0
Total revenue	211.6	177.4

5 Operating segment information

For management purposes, during the year the Group was organised into two business units based on their products and services and had two 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

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, finance costs and income tax expense.

Operating segments with broadly similar economic characteristics have been aggregated to form the reportable operating segment below.

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale. Refer to note 13 for details.

With the Enterprise Business being the last remaining company in the Supply Chain Division, the Division has been accounted for as a discontinued business for the year ended 31 March 2014 and therefore has not been disclosed within the segmental results for the current and prior year.

Notes to the group financial statements continued

5 Operating segment information continued

Segment revenue and results

2014	Electronics £m	Central £m	Total £m
Revenue	211.6	–	211.6
Result			
Underlying operating profit/(loss)	11.4	(4.3)	7.1
Exceptional items – acquisition and related integration costs	(1.7)	–	(1.7)
Exceptional items – restructuring	(0.5)	–	(0.5)
Exceptional items – gain on acquisition of YEG	1.5	–	1.5
Amortisation of acquired intangible assets	(1.0)	–	(1.0)
IAS 19 pension charge	–	(0.2)	(0.2)
Operating profit/(loss)	9.7	(4.5)	5.2
2013	Electronics £m	Central £m	Total £m
Revenue	177.4	–	177.4
Result			
Underlying operating profit/(loss)	9.5	(4.0)	5.5
Exceptional items – acquisition and related integration costs	(0.9)	–	(0.9)
Exceptional items – restructuring	(1.0)	–	(1.0)
Exceptional items – web development costs	(1.2)	–	(1.2)
Amortisation of acquired intangible assets	(0.7)	–	(0.7)
IAS 19 pension charge	–	(0.3)	(0.3)
Operating profit/(loss)	5.7	(4.3)	1.4

Segment assets and liabilities

2014	Electronics £m	Discontinued operations (Supply Chain) £m	Total £m
Assets and liabilities			
Segment assets (excluding goodwill and other intangible assets)	70.2	4.4	74.6
Goodwill and intangible assets	24.2	2.5	26.7
	94.4	6.9	101.3
Central assets			2.3
Cash and cash equivalents			18.1
Deferred tax assets			4.1
Total assets			125.8
Segment liabilities	(44.8)	(1.4)	(46.2)
Central liabilities			(4.6)
Other financial liabilities			(16.3)
Pension liability			(6.5)
Current and deferred tax liabilities			(3.7)
Total liabilities			(77.3)
Net assets			48.5

Notes to the group financial statements continued

5 Operating segment information continued

2013	Electronics £m	Discontinued operations (Supply Chain) £m	Total £m
Assets and liabilities			
Segment assets (excluding goodwill and other intangible assets)	56.8	9.3	66.1
Goodwill and intangible assets	17.2	6.1	23.3
	74.0	15.4	89.4
Central assets			1.9
Cash and cash equivalents			17.8
Deferred tax assets			3.6
Total assets			112.7
Segment liabilities	(37.8)	(3.6)	(41.4)
Central liabilities			(4.2)
Other financial liabilities			(6.0)
Pension liability			(6.5)
Current and deferred tax liabilities			(3.1)
Total liabilities			(61.2)
Net assets			51.5

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 the pension liability, tax assets and liabilities, cash and all borrowings, central assets and liabilities and certain property, plant and equipment and intangible assets.

Other segment information	Depreciation and amortisation		Additions to non current assets	
	2014 £m	2013 £m	2014 £m	2013 £m
Electronics	1.9	1.4	9.9	0.9
Central	0.2	0.1	0.6	0.3
	2.1	1.5	10.5	1.2

Geographical information

The Group's revenue from external customers based on customer locations and information about its segment assets by geographical location are detailed below:

	Revenue from external customers		Non current assets	
	2014 £m	2013 £m	2014 £m	2013 £m
UK	49.9	43.5	13.3	18.8
Europe	143.7	121.7	19.7	12.0
Rest of the World	18.0	12.2	0.1	0.1
	211.6	177.4	33.1	30.9

Notes to the group financial statements continued

6 Exceptional items

		2014 £m	2013 £m
Acquisition and related integration costs	(a)	(1.7)	(0.9)
Electronics division restructuring costs	(b)	(0.5)	(1.0)
Gain on acquisition of YEG	(c)	1.5	–
Web development	(d)	–	(1.2)
Net exceptional costs (included within administrative expenses)		(0.7)	(3.1)
Tax			
Tax impact of exceptional items above		–	0.3
Tax impact of exceptional items in prior years		–	1.8
Total tax		–	2.1
Exceptional items after tax		(0.7)	(1.0)

- a) Acquisition and related integration costs relate mainly to the acquisition of the Myrra Group, YEG and RSG. This amount includes a £0.3m charge in relation to the Myrra earn-out. Last year the acquisition and related integration costs included £0.6m relating to transaction costs of the acquisition of the Myrra Group.
- b) The Electronics division continued its restructuring programme to improve organisational efficiency in the business. As a result redundancy costs of £0.4m were incurred during the year which, due to their size and nature, have been included within exceptional items. In addition a £0.1m provision was incurred in respect of onerous property costs. Last year the restructuring costs comprised redundancy costs of £1.1m offset by a £0.1m release of provision in respect of onerous property costs.
- c) The gain on acquisition of YEG is the difference between the net consideration and fair value of the assets acquired (note 11).
- d) Last year the costs associated with building and developing the new Electronics web platform until the date of launch at the end of January 2013 were treated as exceptional. Costs were £1.2m including £0.4m of employee costs. From launch, the costs of operating the website including such employee costs have been expensed as an underlying cost of the business of £0.9m (2013: £0.2m).

7 Operating profit

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

	2014 £m	2013 £m
Employee costs (note 8)	44.1	41.3
Depreciation of property, plant and equipment (note 16)	1.1	1.0
Amortisation of other intangible assets (note 19)	1.3	1.0
Net foreign exchange differences	0.2	0.3
Inventories (amounts included in cost of sales):		
Cost of inventories	155.5	146.9
Write-down of inventories to net realisable value	1.5	3.3
Reversal of prior year write-down of inventories*	–	(0.9)
Operating lease rentals:		
Minimum lease payments recognised as an operating lease expense	3.2	3.3
Auditor remuneration:		
Audit of the Group financial statements (including parent company)	0.1	0.1
Other fees to auditor – local statutory audits for subsidiaries	0.3	0.2
Tax and transaction services	0.1	0.1

* Reversal relates to sales of goods previously written down.

The above amounts relate to the results of both continuing and discontinued operations.

Notes to the group financial statements continued

8 Employee costs and Directors' emoluments

	2014 £m	2013 £m
Wages and salaries	34.3	33.0
Social security costs	7.3	6.2
Pension costs	1.9	1.5
Share-based payments (note 33)	0.6	0.6
	44.1	41.3

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

	2014 Number	2013 Number
Sales and marketing	470	499
Manufacturing and service	556	194
Administration	143	155
	1,169	848

At 31 March 2014 the Group had 1,301 employees (2012: 719). Head count increased primarily as a result of the acquisitions of Myrra, YEG and RSG, partially offset by the disposal of the European Parts business.

The above amounts relate to the results of both continuing and discontinued operations.

Directors' emoluments	2014 £	2013 £
Aggregate emoluments in respect of qualifying services	839,061	654,748
Aggregate contribution to money purchase pension schemes	35,790	37,114
	874,851	691,862
Highest paid director		
Emoluments in respect of qualifying services	506,530	394,316
Pension contributions to the defined contribution scheme	22,400	22,316
	528,930	416,632

Retirement benefits are accruing to two directors under a defined contribution pension scheme (2013: two).

Further details of Directors' emoluments are provided in the remuneration report on pages 39 to 43.

9 Finance revenue/(costs)

	2014 £m	2013 restated* £m
Interest receivable and similar income	0.2	0.2
Finance revenue	0.2	0.2
Finance costs on bank loans and overdrafts	(1.0)	(0.7)
Net pension finance charge (note 34)	(0.2)	(0.2)
Finance costs	(1.2)	(0.9)

*Prior year restated for adoption of IAS19R-Employee Benefits (note 2)

Notes to the group financial statements continued

10 Taxation

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

	2014 £m	2013 £m
Current taxation		
UK corporation tax	–	–
UK adjustments in respect of prior years	–	(0.1)
	–	(0.1)
Overseas tax	1.7	1.1
Overseas adjustments in respect of prior years	(1.1)	(1.6)
	0.6	(0.5)
Total current taxation expense/(credit)	0.6	(0.6)
Deferred taxation		
Origination and reversal of temporary differences within the UK	0.1	(0.1)
Origination and reversal of temporary differences overseas	(0.4)	(0.3)
Adjustment in respect of prior years	0.2	(0.4)
Total deferred taxation credit	(0.1)	(0.8)
Tax expense/(credit) reported in the consolidated income statement	0.5	(1.4)
Tax recognised in other comprehensive income	2014 £m	2013 £m
Increase in deferred tax asset on pension deficit	0.1	0.2
Tax reported in other comprehensive income	0.1	0.2
Tax recognised in equity	2014 £m	2013 £m
Increase in deferred tax asset on share based payments	0.6	0.3
Tax reported in equity	0.6	0.3

Notes to the group financial statements continued

10 Taxation continued

The effective rate of taxation for the year is lower (2013: higher) than the standard rate of taxation in the UK of 23% (2013: 24%). A reconciliation of the tax expense/(credit) applicable to the profit/(loss) before tax at the statutory tax rate to the actual tax expense/(credit) at the Group's effective tax rate for the years ended 31 March 2014 and 31 March 2013 respectively is presented below:

	2014 £m	2013 £m
Profit before tax on continuing operations	4.2	0.7
Loss before tax on discontinued operations (note 13)	(2.3)	(3.9)
Profit/(loss) before tax	1.9	(3.2)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	0.4	(0.8)
Effect of:		
Different tax rates in overseas companies	0.3	0.2
Utilisation of previously unrecognised losses	(0.2)	(0.1)
Goodwill impairment	0.8	–
Non-deductible expenses	0.2	1.5
Adjustments to deferred tax in respect of prior years	0.2	(0.4)
Adjustments to tax expense in respect of prior years	(1.1)	(1.7)
Tax reported in the consolidated income statement	0.6	(1.3)
Tax attributable to continued operations	0.5	(1.4)
Tax attributable to discontinued operations	0.1	0.1
	0.6	(1.3)
Deferred tax	2014 £m	2013 £m
Deferred tax liabilities:		
Other temporary differences	(1.0)	(0.7)
Gross deferred tax liabilities	(1.0)	(0.7)
Deferred tax assets:		
Decelerated capital allowances	0.7	0.8
Pensions	1.1	1.3
Other temporary differences	2.3	1.5
Gross deferred tax assets	4.1	3.6
Deferred tax credit in the consolidated income statement	2014 £m	2013 £m
Consolidated income statement		
Decelerated capital allowances	0.1	(0.5)
Other temporary differences	(0.2)	(0.3)
	(0.1)	(0.8)

At 31 March 2014, the Group had not recognised any deferred tax asset in respect of tax losses of approximately £26.8m (2013: £25.5m). Deferred tax assets are not recognised where there is insufficient evidence that losses will be utilised.

At 31 March 2014, there was no recognised deferred tax liability (2013: 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.

A reduction in the UK corporation tax rate from 23% to 20% had been substantively enacted at 1 April 2014 and is the rate at which the Group's UK deferred tax is expected to crystallise. Accordingly, this rate has been applied in the measurement of the Group's deferred tax assets and liabilities as at 31 March 2014.

Notes to the group financial statements continued

11 Business combinations

During the year, the Group completed the acquisitions of three businesses namely: Aramys SAS ("the Myrra Group") on 4 April 2013; Young Electronics Group ("YEG") on 30 August 2013; and RSG Electronic Components GmbH ("RSG") on 2 December 2013. These acquisitions have expanded the Group's design and manufacturing capabilities, as well as its specialist distribution offering.

The net cash flow on the acquisitions (including net cash/(debt) acquired) during the year was £12.5m.

During the prior year, the Group paid £2.0m of contingent consideration, of which £1.4m related to the acquisition of Compotron GmbH in January 2011 and £0.6m was in relation to the acquisition of MTC Micro Tech Components GmbH and its affiliate EMC Innovation Limited in October 2011.

Acquisitions in year ended 31 March 2014**Acquisition of Aramys SAS ("the Myrra Group")**

On 4 April 2013, the Group completed the acquisition of 100% of the share capital and voting equity interests of Aramys SAS for an upfront cash consideration of £8.0m (€9.5m) before expenses and subject to certain post completion adjustments. £0.2m (€0.3m) was received back from the vendor in relation to a working capital settlement pursuant to the Sale and Purchase Agreement. The net cash consideration therefore paid to the sellers was £7.8m (€9.2m).

In addition to the upfront consideration above, an earn-out of up to a maximum of £1.5m (€1.8m) is payable to certain shareholders ("Management Sellers") based on the financial performance of the Myrra Group and continued employment of Management Sellers over the three year period to 31 December 2015. The earn-out expense of £0.3m (€0.4m) is recognised in the consolidated income statement as an exceptional item.

The Myrra Group designs and manufactures magnetic electronic products, of which approximately 70% are developed to meet specific individual customer requirements. The Myrra Group's head office is based near Paris, with sales offices in France, Spain, Hong Kong, China and Germany. The Myrra Group's manufacturing facilities are based in China and Poland.

The fair values of the identifiable assets and liabilities of the Myrra Group at the date of acquisition were:

	Fair value recognised at acquisition £m
Property, plant and equipment	1.1
Intangible assets – other	0.9
Inventories	2.5
Trade and other receivables	3.9
Current tax asset	0.1
Cash and cash equivalents	1.9
Trade and other payables	(3.3)
Other financial liabilities	(2.8)
Current tax liabilities	(0.6)
Provisions (current)	(0.8)
Deferred tax liabilities	(0.2)
Total identifiable net assets	2.7
Goodwill arising on acquisition	5.1
Total investment	7.8
Discharged by cash	7.8

The fair value of the trade receivables is equal to their gross amounts. It is expected that the full contractual amounts of the trade receivables can be collected.

Included in the £5.1m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected operational benefits. None of the goodwill recognised is expected to be deductible for corporate tax purposes.

Notes to the group financial statements continued

11 Business combinations continued

Net cash outflows in the year in respect of the acquisition comprise:

	Total £m
Cash consideration	7.8
Transaction costs of the acquisition (included in cash flows from operating activities)*	0.6
Net debt acquired (included in cash flows from investing activities)	0.9
	9.3

*Transaction costs of £0.6m were expensed as incurred in the year ending 31 March 2013 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2014, Myrra contributed £20.0m to revenue and £1.1m to profit after tax of the Group. As the business combination took place at the beginning of the year, the consolidated profit after tax for the Group and revenue are unchanged.

Acquisition of Young Electronics Group ("YEG")

On 30 August 2013, the Group completed the acquisition of the trade and assets of Young Electronics Group ("YEG") for a net cash consideration of £1.5m before expenses.

YEG is a UK based specialist provider of electronic components, solutions and services, including solid state lighting, power, power cord, custom cable assembly, with a significant proportion of own products sales.

The provisional fair values of the identifiable assets and liabilities of YEG at the date of acquisition were:

	Fair value recognised at acquisition £m
Property, plant and equipment	0.1
Inventories	2.7
Trade and other receivables	1.8
Trade and other payables	(1.6)
Total identifiable net assets	3.0
Provisional gain on acquisition (included in administrative expenses and disclosed as an exceptional item)	(1.5)
Total investment	1.5
Discharged by cash	1.5

The gain on acquisition of £1.5m arose because the business at the time of acquisition was loss making.

The fair value of the trade receivables is equal to their gross amounts. It is expected that the full contractual amounts of the trade receivables can be collected.

Net cash outflows in the year in respect of the acquisition comprise:

	Total £m
Cash consideration	1.5
Transaction costs of the acquisition (included in cash flows from operating activities)*	0.1
	1.6

* Transaction costs of £0.1m have been expensed and are included as an exceptional item in administrative expenses (note 6).

From the date of acquisition to 31 March 2014, YEG contributed £6.5m to revenue and £0.5m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated profit after tax for the Group would remain unchanged and revenue would have been £216.1m.

Notes to the group financial statements continued

11 Business combinations continued**Acquisition of RSG Electronic Components GmbH ("RSG")**

On 2 December 2013, the Group completed the acquisition of 100% of the share capital and voting equity interests of RSG, for a net upfront cash consideration of £2.6m (€3.2m) before expenses. Additionally, a deferred cash consideration of £0.2m (€0.3m) will be payable after 18 months from the date of acquisition.

Based near Frankfurt in Germany, RSG is a supplier of customised power solutions (power supplies, AC/DC converters, quartz products, inverters, inductivities and cables) including specialist design and distribution.

The provisional fair values of the identifiable assets and liabilities of RSG at the date of acquisition were:

	Fair value recognised at acquisition £m
Intangible assets – supplier relationships	1.1
Inventories	0.6
Trade and other receivables	0.3
Cash and cash equivalents	0.2
Trade and other payables	(0.3)
Deferred tax liability	(0.3)
Total identifiable net assets	1.6
Provisional goodwill arising on acquisition	1.2
Total investment	2.8
Discharged by:	
Cash	2.6
Deferred cash consideration	0.2
	2.8

The fair value of the trade receivables is equal to their gross amounts. It is expected that the full contractual amounts of the trade receivables can be collected.

Included in the £1.2m of goodwill recognised above, are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected operational benefits. None of the goodwill recognised is expected to be deductible for corporate tax purposes.

Net cash outflows in the year in respect of the acquisition comprise:

	Total £m
Cash consideration	2.6
Transaction costs (included in cash flows from operating activities)*	0.2
Net cash acquired (included in cash flows from investing activities)	(0.3)
	2.5

* Transaction costs of £0.2m have been expensed and are included as an exceptional item in administrative expenses (note 6).

From the date of acquisition to 31 March 2014, RSG contributed £1.3m to revenue and £0.1m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated profit after tax for the Group would have been £4.2m and revenue would have been £215.6m.

Notes to the group financial statements continued

12 Disposals**Disposals in year ended 31 March 2014****Disposal of Enterprise Services Business**

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. The disposal of the Enterprise business was a related party transaction and received shareholder approval on 2 June 2014. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale.

The disposal involved the sale of the Group's UK subsidiary, Acal Enterprise Solutions Limited ("AES"), to Agilita Holdings Limited, in which the current management team of AES are participating, for a cash consideration of £6.0m, of which £0.3m will be deferred, at the purchaser's option, until no later than 31 December 2014. Including transaction and related costs, the disposal is expected to result in a profit on disposal (excluding goodwill) of £2.4m and a loss on disposal of £3.3m (including goodwill). The accounting for the disposal will be finalised in FY 2015.

Disposal of European Parts business

On 11 November 2013, the Group completed the disposal of its Supply Chain division's European Parts business to its current management team, together with certain third party investors. The disposal involved the sale of the Group's German subsidiary, EAF Computer Services Supplies GmbH ("EAF GmbH") for a consideration of £3.7m (€4.4m), comprising an upfront payment of £3.4m (€4.0m) and deferred consideration of £0.3m (€0.4m) payable on 31 March 2014.

The disposal of the European Parts business was a related party transaction and received shareholder approval on 1 November 2013.

The transaction generated a loss on disposal of £0.2m, which is summarised below:

	£m
Net cash consideration	3.7
Net assets disposed of	(3.8)
Cumulative exchange gain in respect of the net assets of EAF GmbH reclassified from equity to the consolidated income statement	0.2
Transaction costs	(0.2)
Provision against claim from purchaser	(0.1)
Loss on disposal	(0.2)
	£m
Consideration received	
Net upfront cash consideration received	3.4
Deferred consideration	0.3
Net cash consideration received	3.7
	£m
Net assets disposed of	
Property, plant and equipment	0.1
Intangible assets – other	0.1
Inventories	2.2
Trade and other receivables	3.2
Trade and other payables	(1.7)
Provisions	(0.1)
Net assets disposed of	3.8
	£m
Net cash inflow on disposal	
Upfront cash consideration	3.4
Deferred consideration received on 31 March 2014	0.1
Transaction costs	(0.2)
Net cash inflow on disposal	3.3

Notes to the group financial statements continued

12 Disposals continued**Disposal in year ended 31 March 2013****Disposal of UK Parts business**

On 3 January 2013, the Group completed the disposal of its UK new and refurbished parts distribution and outsourcing business (the "UK Parts Business") (included within the Supply Chain operating segment) to its management team for a debt free consideration of £2.0m, subject to completion adjustments and before transaction costs. If the UK Parts Business is subsequently sold, the Group will receive 25% of any incremental consideration over £2.0m up to a maximum additional consideration of £9.0m. The disposal involved the sale of the Company's shareholding in Acal Supply Chain Limited. The Enterprise Services Business, which was part of Acal Supply Chain Limited, was transferred into the continuing Group prior to completion of the disposal.

The disposal of the UK Parts business was a related party transaction and received shareholder approval on 3 January 2013.

The transaction generated a loss on disposal of £5.1m, which is summarised below:

	£m
Net cash consideration	1.5
Net assets disposed of	(6.4)
Transaction costs	(0.2)
Loss on disposal	(5.1)
	£m
Consideration received	
Gross debt free consideration	2.0
Net debt transferred	(0.2)
Working capital adjustment	(0.3)
Net cash consideration received	1.5
	£m
Net assets disposed of	
Intangible asset – goodwill	0.8
Property, plant and equipment	0.3
Intangible assets – other	0.2
Inventories	3.1
Trade and other receivables	4.0
Deferred tax assets	0.2
Bank overdrafts	(0.2)
Trade and other payables	(2.0)
Net assets disposed of	6.4
	£m
Net cash inflow on disposal	
Cash consideration	1.5
Net debt transferred	0.2
Transaction costs	(0.2)
Net cash inflow on disposal	1.5

Notes to the group financial statements continued

13 Discontinued operations

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale.

The above disposal was in addition to the disposal of the European Parts business and the UK Parts business in the current and prior year respectively (note 12).

With the Enterprise Business being the last remaining company in the Supply Chain Division, the Division has been accounted for as a discontinued business for the year ended 31 March 2014.

The results of the Supply Chain Division for the year and the prior year are presented below:

	2014 £m	2013 £m
Revenue	17.9	41.8
Expenses	(16.7)	(40.5)
Operating profit	1.2	1.3
Finance costs	–	(0.1)
Impairment loss recognised on the re-measurement to fair value less costs of disposal*	(3.3)	–
Loss on disposal of business (note 12)	(0.2)	(5.1)
Loss before tax from discontinued operations	(2.3)	(3.9)
Tax expense	(0.1)	(0.1)
Loss for the year from discontinued operations	(2.4)	(4.0)

* Following the classification of the Enterprise Business as a held for sale disposal group, a write-down of £3.3m on goodwill allocated to the Enterprise Business was recognised on 31 March 2014 to reduce the carrying value to fair value less costs of disposal.

There is no tax impact of the loss on the disposal of businesses.

Earnings per share

	2014	2013
Basic loss per share on discontinued operations	(7.7)p	(14.0)p
Diluted loss per share on discontinued operations	(7.7)p	(14.0)p

Cash flows relating to discontinued operations

	2014 £m	2013 £m
Net cash inflows from operating activities	1.0	0.5
Net cash outflows from investing activities	(0.1)	(0.1)
Net increase in cash and cash equivalents	0.9	0.4

Notes to the group financial statements continued

13 Discontinued operations continued**Assets classified as held for sale**

The major classes of assets and liabilities classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell are summarised below:

	2014 £m	2013 £m
Property, plant and equipment	0.3	–
Intangible assets – goodwill	2.4	–
Intangible assets – other	0.1	–
Inventories	1.9	–
Trade and other receivables	1.7	–
Cash and cash equivalents	0.5	–
Total assets	6.9	–
Trade and other payables	(1.4)	–
Total liabilities	(1.4)	–

14 Dividends

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

	2014 £m	2013 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2013 of 6.0p (2012: 5.5p)	1.9	1.6
Interim dividend for the year ended 31 March 2014 of 2.5p (2013: 2.5p)	0.8	0.7
Total amounts recognised as equity distributions during the year	2.7	2.3
Proposed for approval at the AGM:	£m	£m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2014 of 6.85p (2013: 6.0p)	2.1	1.9
Summary		
Dividends per share declared in respect of the year	9.35p	8.50p
Dividends per share paid in the year	8.50p	8.00p
Dividends paid in the year	£2.7m	£2.3m

Notes to the group financial statements continued

15 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/(loss) per share computations:

	2014 £m	2013 restated* £m
Profit/(loss) for the year attributable to equity holders of the parent:		
Continuing operations	3.7	2.1
Discontinued operations	(2.4)	(4.0)
Profit/(loss) for the year	1.3	(1.9)
	Number	Number
Weighted average number of shares for basic earnings/(loss) per share	31,314,052	28,502,950
Effect of dilution – share options	2,053,529	1,164,043
Adjusted weighted average number of shares for diluted earnings per share	33,367,581	29,666,993
Basic earnings per share from continuing operations	11.8p	7.4p
Diluted earnings per share from continuing operations	11.1p	7.1p
Basic earnings/(loss) per share	4.2p	(6.7)p
Diluted earnings/(loss) per share*	3.9p	(6.7)p

At the year end, there were 2,149,103 ordinary share options in issue that could potentially dilute earnings per share in the future, of which 2,053,529 are currently dilutive (2013: 2,647,788 in issue and 1,164,043 dilutive*).

*As a loss was made in the year ended 31 March 2013, the loss per share is not affected by the dilutive shares.

Underlying earnings per share is calculated as follows:

	2014 £m	2013 £m
Continuing operations		
Earnings for the year	3.7	2.1
Exceptional items	0.7	3.1
Amortisation of acquired intangible assets	1.0	0.7
IAS 19 pension charge	0.4	0.5
Tax effect of the above	(0.4)	(0.6)
Tax effect of exceptional items in prior years	–	(1.8)
Underlying earnings on continuing operations	5.4	4.0
	Number	Number
Weighted average number of shares for basic earnings per share	31,314,052	28,502,950
Effect of dilution – share options	2,053,529	1,164,043
Adjusted weighted average number of shares for diluted earnings per share	33,367,581	29,666,993
Underlying basic earnings per share	17.2p	14.0p
Underlying diluted earnings per share	16.2p	13.5p

At the year end, there were 2,149,103 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 2,053,529 are currently dilutive (2013: 2,647,788 in issue and 1,164,043 dilutive).

Notes to the group financial statements continued

16 Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 April 2012	1.8	3.8	7.8	13.4
Additions	–	0.3	0.7	1.0
Disposals	–	(0.3)	(1.1)	(1.4)
Business disposals	–	(1.4)	(1.9)	(3.3)
At 31 March 2013	1.8	2.4	5.5	9.7
Additions	–	–	0.7	0.7
Disposals	–	–	(1.2)	(1.2)
Business disposals	–	–	(0.8)	(0.8)
Arising from business combinations	–	0.1	1.1	1.2
Reclassified to assets held for sale	–	(0.2)	(0.4)	(0.6)
Exchange adjustments	–	–	(0.2)	(0.2)
At 31 March 2014	1.8	2.3	4.7	8.8
Depreciation				
At 1 April 2012	1.1	2.9	5.9	9.9
Charge for the year	–	0.2	0.8	1.0
Disposals	–	(0.3)	(1.1)	(1.4)
Business disposals	–	(1.3)	(1.7)	(3.0)
Exchange adjustments	–	0.1	–	0.1
At 31 March 2013	1.1	1.6	3.9	6.6
Charge for the year	0.1	0.2	0.8	1.1
Disposals	–	–	(1.2)	(1.2)
Business disposals	–	–	(0.7)	(0.7)
Reclassified to assets held for sale	–	(0.1)	(0.2)	(0.3)
Exchange adjustments	–	(0.1)	(0.1)	(0.2)
At 31 March 2014	1.2	1.6	2.5	5.3
Net book value at 31 March 2014	0.6	0.7	2.2	3.5
Net book value at 31 March 2013	0.7	0.8	1.6	3.1

Freehold property includes land with a cost of £0.5m (2013: £0.5m) that is not subject to depreciation.

Notes to the group financial statements continued

17 Intangible assets – goodwill

	£m
Cost	
At 1 April 2012	63.7
Business disposals	(0.8)
Exchange adjustments	0.2
At 31 March 2013	63.1
Reclassified to assets held for sale	(11.0)
Arising from business combinations	6.3
Exchange adjustments	(0.4)
At 31 March 2014	58.0
Impairment	
At 31 March 2012 and 31 March 2013	(42.1)
Reclassified to assets held for sale	5.3
At 31 March 2014	(36.8)
Net book value at 31 March 2014	21.2
Net book value at 31 March 2013	21.0

18 Impairment testing of goodwill

The carrying value of goodwill is analysed as follows:

	2014 £m	2013 £m
Supply Chain:		
Acal Enterprise Solutions	–	5.7
Electronics:		
UK businesses	6.9	6.9
Compotron	4.9	5.1
Hectronic	0.6	0.7
MTC	2.0	2.0
Myrra	5.0	–
RSG	1.2	–
Medical	0.6	0.6
	21.2	21.0

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

On 31 March 2014, the Acal Enterprise Solutions business was classified as held for sale and therefore the goodwill allocated to the business is included on the consolidated statement of financial position within the assets of the disposal group classified as held for sale line. Please refer to note 13 for details on the carrying value of the goodwill at the year end.

The recoverable amount of each remaining CGU is based on value in use calculations and management's view of the recoverable amount. The key assumptions in these calculations relate to future revenue and margins. Cash flow forecasts for the 5 year period from the reporting date are based on 2015 budget and management projections thereon. Average annual revenue growth rates between 5% and 10% (2013: between 3% and 10%) have been used depending on size and sector in which the CGU operates. Annual cash flow growth rates beyond the five-year period are assumed at 2% (2013: 2%) for all CGUs in line with 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 Group. The pre-tax discount rate applied to the cash flow projections of CGUs varies from 14%-19% (2013: 15%-17%).

Notes to the group financial statements continued

18 Impairment testing of goodwill continued

Key assumptions made are as follows:

	5 year average annual growth rate		Long term growth rate		Discount rate	
	2014	2013	2014	2013	2014	2013
UK electronics businesses	5%	3%	2%	2%	14%	15%
Compotron	5%	5%	2%	2%	16%	17%
Hectronic	10%	10%	2%	2%	14%	15%
MTC	10%	10%	2%	2%	15%	16%
Myrra	10%	–	2%	–	18%	–
RSG	10%	–	2%	–	19%	–
Medical	5%	5%	2%	2%	15%	16%

Sensitivity to changes in assumptions

The Group has conducted sensitivity analysis on the impairment test of each CGUs carrying value. With regard to all the CGUs above, the Directors believe that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit materially to exceed its recoverable amount.

19 Intangible assets – other

	Acquired intangibles			Total £m
	Software £m	Customer/ supplier relationships £m	Brands £m	
Cost				
At 1 April 2012	9.7	3.3	0.8	13.8
Business disposals	(1.4)	–	–	(1.4)
Additions	0.3	–	–	0.3
At 31 March 2013	8.6	3.3	0.8	12.7
Business disposals	(0.6)	–	–	(0.6)
Arising from business combinations	–	2.0	–	2.0
Reclassified to assets held for sale	–	(0.7)	–	(0.7)
Additions	0.6	–	–	0.6
Exchange adjustment	(0.1)	–	–	(0.1)
At 31 March 2014	8.5	4.6	0.8	13.9
Amortisation				
At 1 April 2012	8.6	1.0	0.1	9.7
Business disposals	(1.2)	–	–	(1.2)
Charge for the year	0.2	0.7	0.1	1.0
At 31 March 2013	7.6	1.7	0.2	9.5
Business disposals	(0.5)	–	–	(0.5)
Reclassified to assets held for sale	–	(0.6)	–	(0.6)
Charge for the year	0.2	0.9	0.2	1.3
Exchange adjustment	(0.1)	–	–	(0.1)
At 31 March 2014	7.2	2.0	0.4	9.6
Net book value at 31 March 2014	1.3	2.6	0.4	4.3
Net book value at 31 March 2013	1.0	1.6	0.6	3.2

The computer software capitalised at 31 March 2014 principally relates to the implementation of an ERP system within the Electronics business. This ERP system has a carrying amount of £1.1m (2013: £0.7m) and following the completion of an upgrade to the system during the year, the useful life has been re-assessed from 4.75 years to 6 years ending 31 March 2020.

Notes to the group financial statements continued

20 Investments in associates

	£m
Cost at 31 March 2013 and 2014	5.4
Impairment at 31 March 2013 and 2014	(5.4)
Net book amount at 31 March 2013 and 2014	–

Associates	Country of incorporation	% equity interest 2014 and 2013
Ceratech Holdings Limited	England	30
Scientific Digital Business (Pte) Ltd	Singapore	40

Impairment of associate investments

In 2009, the Directors took the view that the associate investments should be fully impaired, due to continuing losses in those businesses. There have been no changes in 2014 that would lead to these impairments being reversed.

The unrecognised share of loss for the year attributed to the associate investments is nil (2013: nil). The cumulative share of unrecognised loss is £0.2m (2013: £0.1m)

21 Inventories

	2014 £m	2013 £m
Finished goods and goods for resale	19.4	19.3

22 Trade and other receivables

	2014 £m	2013 £m
Trade receivables	43.4	40.2
Other receivables	2.5	2.1
Prepayments and accrued income	2.4	2.4
	48.3	44.7

Trade receivables are non-interest bearing, are generally on 30-60 days' terms and are shown net of a provision for impairment. As at 31 March 2014, trade receivables of £2.0m (2013: £2.3m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2014 £m	2013 £m
At 1 April	2.3	2.3
Charge for the year	0.1	0.7
Amounts written off	(0.3)	(0.4)
Unused amounts reversed	(0.1)	(0.2)
Exchange adjustments	–	(0.1)
At 31 March	2.0	2.3

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	<30 days £m	30-60 days £m	Past due but not impaired			>120 days £m
					60-90 days £m	90-120 days £m		
2014	43.4	36.5	5.4	0.9	0.3	0.1		0.2
2013	40.2	32.2	6.3	1.0	0.3	0.3		0.1

Notes to the group financial statements continued

23 Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	18.1	17.8
Cash at bank included in assets held for sale	0.5	–
Cash and cash equivalents	18.6	17.8

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 its treasury policy. The fair value of cash and cash equivalents is £18.6m (2013: £17.8m).

24 Financial liabilities

	Effective interest rate %	Maturity	Current		Non-current	
			2014 £m	2013 £m	2014 £m	2013 £m
Bank overdrafts	Variable	On demand	6.7	3.4	–	–
Unsecured bank loans	Variable		0.1	0.9	1.7	1.7
Secured bank loan	Variable		–	–	7.8	–
Total other financial liabilities			6.8	4.3	9.5	1.7
Trade and other payables			40.1	38.0	–	–
Provisions			0.2	0.2	0.2	0.4
Total			47.1	42.5	9.7	2.1

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

Included in non current unsecured bank loans is a euro denominated loan of £1.7m (2013: £1.7m), which will be repaid fully in February 2016 and bears interest at 3 month EURIBOR + 3%. Other euro denominated loans of £0.3m carry fixed interest rates of between 2% and 11%.

On 4 April 2013, the Group entered into a 3 year committed revolving credit facility of £7.8m. The facility was used to fund the acquisition of the Myrra group (note 11). The facility bears an interest rate at 3 month LIBOR + 3.0% and is secured against the assets of certain Group subsidiaries.

Trade and other payables and provisions above include only contractual obligations.

The maturity of gross contractual financial liabilities is as follows:

	Within 1 year £m	2-5 years £m	Total £m
At 31 March 2014			
Fixed and floating rate*	6.8	9.6	16.4
Trade payables	40.1	–	40.1
Provisions	0.2	0.2	0.4
	47.1	9.8	56.9
At 31 March 2013			
Floating rate*	4.4	1.8	6.2
Trade payables	38.0	–	38.0
Provisions	0.2	0.4	0.6
	42.6	2.2	44.8

* Fixed term financial liabilities include future interest payments of £nil (2013: £0.1m) within one year and £0.1m (2013: £0.1m) between two and five years.

Notes to the group financial statements continued

24 Financial liabilities continued

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

	2014 £m	2013 £m
Euro	14.2	4.1
US dollar	1.8	1.4
Other currencies	0.3	0.5
	16.3	6.0

25 Movements in cash and net debt

	31 March 2013 £m	Cash flow £m	Foreign exchange £m	31 March 2014 £m
Year to 31 March 2014				
Cash at bank and in hand	17.8	1.9	(1.1)	18.6
Bank overdrafts	(3.4)	(3.7)	0.4	(6.7)
Cash and cash equivalents	14.4	(1.8)	(0.7)	11.9
Bank loans under one year	(0.9)	0.8	–	(0.1)
Bank loans over one year	(1.7)	(8.0)	0.2	(9.5)
Total loan capital	(2.6)	(7.2)	0.2	(9.6)
Net cash	11.8	(9.0)	(0.5)	2.3

	31 March 2012 £m	Cash flow £m	Foreign exchange £m	31 March 2013 £m
Year to 31 March 2013				
Cash at bank and in hand	12.3	5.3	0.2	17.8
Overdrafts	(4.4)	1.0	–	(3.4)
Cash and cash equivalents	7.9	6.3	0.2	14.4
Bank loans under one year	(0.8)	(0.1)	–	(0.9)
Bank loans over one year	(0.8)	(0.7)	(0.2)	(1.7)
Total loan capital	(1.6)	(0.8)	(0.2)	(2.6)
Net cash	6.3	5.5	–	11.8

Supplementary information to the statement of cash flows

Underlying performance measure	2014 £m	2013 £m
(Decrease)/increase in net cash	(9.0)	5.5
Add: Business combinations	12.5	2.0
Exceptional cash flow	2.9	3.6
Legacy pension scheme funding	1.5	1.5
Dividends paid	2.7	2.3
Less: Net proceeds from share issue	–	(5.7)
Net proceeds from disposal business	(3.3)	(1.5)
Free cash flow	7.3	7.7

Notes to the group financial statements continued

26 Reconciliation of cash flows from operating activities

	2014 £m	2013 restated* £m
Profit from continuing operations	3.7	2.1
Loss from discontinued operations	(2.4)	(4.0)
Profit/(loss) for the year	1.3	(1.9)
Taxation expense/(credit)	0.6	(1.3)
Net finance costs	1.0	0.8
Gain on business acquisition	(1.5)	–
Impairment of goodwill	3.3	–
Depreciation of property, plant and equipment	1.1	1.0
Amortisation of intangible assets – other	1.3	1.0
Change in provisions	(0.2)	(2.4)
Loss on disposal of business	0.2	5.1
Pension scheme funding	(1.5)	(1.5)
IAS 19 pension administration charge	0.2	0.3
Equity-settled share-based payment expense	0.6	0.6
Operating cash flows before changes in working capital	6.4	1.7
Decrease in inventories	0.8	3.7
(Increase)/decrease in trade and other receivables	(3.9)	1.5
Increase/(decrease) in trade and other payables	2.7	(1.0)
(Increase)/decrease in working capital	(0.4)	4.2
Cash generated from operations	6.0	5.9
Interest paid	(1.0)	(0.8)
Income taxes paid	(0.9)	(1.4)
Net cash flows from operating activities	4.1	3.7

*Prior year restated for adoption of IAS19R-Employee Benefits (note 2)

27 Provisions

	Deferred consideration £m	Severance indemnity £m	Other £m	Total £m
At 1 April 2013	–	0.9	2.2	3.1
Arising during the year	0.2	0.4	1.0	1.6
Arising from business combinations	–	0.3	0.5	0.8
Business disposals	–	–	(0.1)	(0.1)
Released during the year	–	–	(0.8)	(0.8)
Utilised	–	(0.4)	(0.5)	(0.9)
Exchange difference	–	(0.1)	0.1	–
At 31 March 2014	0.2	1.1	2.4	3.7
			2014 £m	2013 £m
Analysis of total provisions				
Current			1.7	1.7
Non-current			2.0	1.4
			3.7	3.1

Deferred consideration

The £0.2m deferred consideration relates to the acquisition of RSG Electronic Components GmbH (note 11).

Notes to the group financial statements continued

27 Provisions continued**Severance indemnity**

The severance indemnity provision relates to severance costs payable to employees.

Included within the severance indemnity provision is £0.6m (2013: £0.5m), relating to a severance and leaving indemnity scheme *Trattamento di Fine Rapporto* (TFR) operated by the Group's Italian subsidiary for its local employees, in accordance with Italian law. The TFR is classified as an unfunded scheme. The service cost, representing deferred salaries accruing to employees, is included as an operating expense and determined by reference to Italian law.

Other

The other provision relates to other claims, long term deferred bonus schemes, onerous contracts and general restructuring and, other than onerous contracts, is expected to be utilised within one to three years. Onerous contract provisions are expected to be used over periods of up to six years.

28 Financial risk controls**Management of financial risk**

The main financial risks faced by the Group are credit risk, liquidity risk and market risk, which include interest rate risk and currency risk. The Board regularly reviews these risks and has approved written policies covering the use of financial instruments to manage these risks.

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 exposure to foreign exchange risk is managed centrally and locally, any action being approved by head office. The Acal plc board approves policies and procedures setting out permissible funding and hedging instruments, exposure limits and a system of authorities for the approval of transactions.

Management of interest rate risk

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

Based on the Group's debt position at the year end, a 1% increase in interest rates would decrease the Group's profit before tax by approximately £0.2m (2013: £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. At the reporting date the fair value of forward contracts was immaterial.

The following table demonstrates the sensitivity to a 10% 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	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Profit/(loss) before tax – (loss)/gain						
10% appreciation	(0.7)	(0.3)	0.7	(0.7)	0.3	(0.3)
10% depreciation	0.8	0.5	(0.7)	0.7	(0.3)	0.5

Management of credit risk

Credit risk exists in relation to customers, banks and insurers. Exposure to credit risk is mitigated by maintaining credit control procedures across a wide customer base.

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

Notes to the group financial statements continued

28 Financial risk controls continued

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.

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.

At 31 March 2014, the Group had net cash of £11.8m (2013: £13.5m), excluding long term borrowings of £9.5m (2013: £1.7m). The Group had total working capital facilities available of £29.8m (2013: £34.9m) with a number of major UK and overseas banks, of which £24.3m (2013: £22.2m) were committed facilities. The Group had drawn £16.3m against total facilities at 31 March 2014. 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 December 2013 to March 2016. The facilities are subject to certain performance covenants, which on review at 31 March 2014 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.

29 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 2014 £m	Fair value 2014 £m	Carrying amount 2013 £m	Fair value 2013 £m
Financial assets				
Cash at bank and in hand	18.6	18.6	17.8	17.8
Financial liabilities at amortised cost				
Bank overdrafts and short-term borrowings	(6.8)	(6.8)	(4.3)	(4.3)
Non current interest-bearing loans and borrowings				
Fixed and floating rate borrowings	(9.5)	(10.1)	(1.7)	(1.8)

The fair value of loans and borrowings has been calculated by discounting future cash flows where material at prevailing market interest rates.

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

30 Trade and other payables

	2014 £m	2013 £m
Trade payables	27.0	24.3
Other payables	12.7	10.3
Accrued expenses and deferred income	6.0	7.9
	45.7	42.5

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

Notes to the group financial statements continued

31 Share capital

Authorised	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary shares of 5p each	44,000,000	2.2	44,000,000	2.2

Allotted, called up and fully paid	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary shares of 5p each	31,332,127	1.6	31,295,878	1.6

During the year to 31 March 2014, 36,249 shares were issued in relation to the share options which were exercised by employees under the terms of the various share option schemes (2013: none).

On 28 March 2013, the Company issued 2,816,074 new Ordinary shares to new and existing shareholders through an equity placing. The terms of the issue were fixed on 8 March 2013 through a placing agreement, with an issue price of 215 pence per share, representing a 1.8% discount on the closing price on 7 March 2013. Net proceeds were £5.7m, being gross proceeds on issue of £6.1m less directly attributable expenses of £0.4m.

The placing structure attracted merger relief under section 612 of the Companies Act 2006 resulting in a credit to the other reserve of £5.5m, being net proceeds on issue of £5.7m less the nominal value of the shares issued of £0.2m. During the current year, upon completion of the placing structure, the full amount became distributable and was therefore transferred to retained earnings.

The new shares issued rank pari passu in all respects with the existing shares issued, including the right to receive all dividends and other distributions declared, made or paid on the existing Ordinary shares.

32 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:

	2014 £m	2013 £m
Due within one year	2.6	2.8
Due after one year but not more than five years	4.7	5.0
Due after more than five years	0.8	0.6
	8.1	8.4

Future minimum sublease rentals expected to be received over the term of non-cancellable operating leases are £0.4m (2013: £0.7m).

33 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. The charge to the income statement in respect of each of these schemes is:

	2014 £m	2013 £m
a) Approved and Unapproved Executive Share Option Schemes	–	–
b) Acal plc long term incentive plan ("the LTIP")	0.6	0.6
	0.6	0.6

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.

Notes to the group financial statements continued

33 Share-based payment plans continued

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 issued prior to 2010 is subject to the meeting of a 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 all options 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	31 March 2014	8 August 2013	2 July 2012
Share price at grant date	£3.10	£2.47	£1.8075
Exercise price	£3.10	£2.47	£1.8075
Number of employees	2	3	2
Shares under option	13,225	15,789	18,035
Vesting period (years)	3	3	3
Expected volatility	35%	37%	39%
Option life (years)	7	7	7
Expected life (years)	3	3	3
Risk free rate of return	0.85%	0.68%	0.39%
Expected dividends expressed as a dividend yield	3.1%	4.0%	3.7%
Fair value	£0.60	£0.47	£0.37

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 (2013: nil).

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 2014

Outstanding at 1 April 2013	Expired during the year	Forfeited during the year	Granted during the year	Outstanding at 31 March 2014	Exercise price (pence)	Exercise dates
29,500	(24,000)	(5,500)	–	–	367.50	2009-2013
60,000	–	(6,500)	–	53,500	387.25	2010-2014
5,342	–	–	–	5,342	307.00	2014-2021
18,035	–	–	–	18,035	180.75	2015-2022
–	–	–	29,014	29,014	275.72	2016-2024
112,877	(24,000)	(12,000)	29,014	105,891		

31 March 2013

Outstanding at 1 April 2012	Expired during the year	Forfeited during the year	Granted during the year	Outstanding at 31 March 2013	Exercise price (pence)	Exercise dates
27,300	(27,300)	–	–	–	335.00	2008-2012
30,500	–	(1,000)	–	29,500	367.50	2009-2013
60,000	–	–	–	60,000	387.25	2010-2014
5,342	–	–	–	5,342	307.00	2014-2021
–	–	–	18,035	18,035	180.75	2015-2022
123,142	(27,300)	(1,000)	18,035	112,877		

Notes to the group financial statements continued

33 Share-based payment plans continued**Changes in share options**

A reconciliation of option movements over the year to 31 March 2014 is shown below:

	2014		2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	112,877	£3.45	117,800	£3.70
Granted	29,014	£2.76	18,035	£1.81
Exercised	-	-	-	-
Expired	(24,000)	£3.68	(27,300)	£3.35
Forfeited	(12,000)	£3.78	(1,000)	£3.68
Outstanding at 31 March	105,891	£3.17	112,877	£3.45
Exercisable at 31 March	53,500	£3.87	89,500	£3.87

The weighted average remaining contractual life for the share options outstanding as at 31 March 2014 is 4.5 years (2013: 2.6 years).

The range of exercise prices for options outstanding at the end of the year was £1.8075 to £3.8725 (2013: £1.8075 to £3.8725).

b) The LTIP

Since 2008, the Group has operated the LTIP as a replacement for the approved and 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 2013 and 2014, 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 Consumer Price Index ("CPI").

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 2014 awards were approved by the Remuneration Committee on 25 March 2014 and a valuation of these awards was carried out in the year ending 31 March 2014. The fair value per award granted and the assumptions used in the calculation are as follows:

Awards granted in the year ended 31 March 2014

Grant date	31 March 2014 TSR	31 March 2014 CPI
Share price at grant date	£3.10	£3.10
Exercise price	nil	nil
Number of employees	6	6
Shares under option	173,918	173,917
Vesting period (years)	3	3
Expected volatility	35%	35%
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate of return	1.80%	1.80%
Expected dividends expressed as a dividend yield	3.10%	3.10%
Fair value	£1.70	£1.48

Notes to the group financial statements continued

33 Share-based payment plans continued**Awards granted in the year ended 31 March 2013**

Grant date	31 March 2013 TSR	31 March 2013 CPI
Share price at grant date	£2.35	£2.35
Exercise price	nil	nil
Number of employees	8	8
Shares under option	250,948	250,948
Vesting period (years)	3	3
Expected volatility	37.26%	37.26%
Option life (years)	10	10
Expected life (years)	3	3
Risk free rate of return	0.19%	0.19%
Expected dividends yield	3.3%	3.3%
Fair value	£1.36	£1.22

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 was £0.6m (2013: £0.6m).

Outstanding LTIP

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

31 March 2014

Outstanding at 1 April 2013	Granted during the year	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2014	Exercise dates
584,777	–	–	–	–	584,777	2012-2019
402,490	–	–	(41,086)	(36,249)	325,155	2013-2020
553,913	–	–	(356,260)	–	197,653	2014-2021
515,212	–	–	–	–	515,212	2015-2022
501,896	–	–	–	–	501,896	2016-2023
–	347,835	–	–	–	347,835	2017-2024
2,558,288	347,835	–	(397,346)	(36,249)	2,472,528	

31 March 2013

Outstanding at 1 April 2012	Granted during the year	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2013	Exercise dates
584,777	–	–	–	–	584,777	2012-2019
402,490	–	–	–	–	402,490	2013-2020
583,003	–	–	(29,090)	–	553,913	2014-2021
515,212	–	–	–	–	515,212	2015-2022
–	501,896	–	–	–	501,896	2016-2023
2,085,482	501,896	–	(29,090)	–	2,558,288	

The weighted average remaining contractual life for the share options outstanding as at 31 March 2014 is 7.3 years (2013: 6.8 years).

The range of exercise prices for options outstanding at the end of the year was nil (2013: nil).

Notes to the group financial statements continued

34 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, 171 employees were active members of the Acal scheme (2013: 150). The total cost charged to the consolidated income statement in relation to the UK based Acal scheme was £808,000 (2013: £573,000). Employer contributions in respect of other UK based schemes and overseas pension schemes were £10,000 (2013: £34,000) and £1,057,000 (2013: £922,000) respectively. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2013/14 but based on actual salary levels in 2014/15.

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 the Sedgemoor Group, 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 and are set based upon funding valuations carried out every three years.

Based upon the results of the triennial funding valuation at 31 March 2012, the Sedgemoor Scheme's Trustees agreed with Sedgemoor Limited on behalf of the participating employers to continue the participating employers' contributions under the deficit recovery plan agreed at the previous valuation at 31 March 2009. This required contributions of £1.5m over the year to 31 March 2014, with future contributions of £1.5m p.a. increasing by 3% each April payable over the period to 31 March 2022.

The estimated amount of employer contributions expected to be paid to the Sedgemoor Scheme during 2014/15 is £1.5m (2013/14: £1.5m). The next triennial funding valuation is due to be carried out as at 31 March 2015.

The results of the triennial funding valuation as at 31 March 2012 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19R.

The main actuarial assumptions used are set out as follows:

	2014	2013
Rate of increase of salaries	n/a	n/a
Rate of increase of pensions in payment	2.5%	2.6%
Discount rate	4.3%	4.3%
Inflation assumption – RPI	3.3%	3.4%
Inflation assumption – CPI	2.3%	2.4%

The discount rate is based on the yields on AA grade sterling corporate bonds at the reporting date.

Pensioner mortality assumptions are based on the 'SINA' table, with improvement rates in line with the CMI 2012 core projections based on each member's actual date of birth with a long-term annual rate of improvement of 1.25% for males and females.

The weighted average duration of the defined benefit obligation at 31 March 2014 was 15 years (2013: 15 years).

Virtually all the assets of the Sedgemoor Scheme have quoted prices in an active market. Remeasurements are recognised immediately through other comprehensive income.

Notes to the group financial statements continued

34 Pensions continued

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

	2014 £m	2013 £m
Pension administration costs (recognised in administrative expenses)	0.2	0.3
Net interest cost on pension scheme deficit (recognised in finance cost)	0.2	0.2
Total	0.4	0.5

The charges recognised in the consolidated statement of comprehensive income are as follows:

Re-measurement gains/(losses)	2014 £m	2013 restated £m
Return on plan assets (excluding amounts included in net interest expense)	(0.6)	1.2
Actuarial changes arising from changes in financial assumptions	0.2	(1.5)
Actuarial changes arising from changes in demographic assumptions	(0.6)	(1.2)
Experience adjustments	–	0.4
Deferred tax movement on funding surplus under IAS 19R valuation	(0.1)	0.1
Actuarial losses recorded in the consolidated statement of comprehensive income	(1.1)	(1.0)

The fair value of assets and expected rates of return used to determine the amounts recognised in the consolidated statement of financial position are as follows:

	2014 £m	2013 £m
Equities	4.7	7.9
Bonds	15.1	15.3
Property	1.8	1.6
Absolute Return Fund	4.8	6.4
Diversified Growth Fund	4.7	–
Cash	0.3	0.2
Fair value of scheme assets	31.4	31.4
Present value of funded defined benefit obligations	(37.9)	(37.9)
Liability recognised in the consolidated statement of financial position	(6.5)	(6.5)

Included in the pension liability of £6.5m (2013: £6.5m) is deferred tax of £0.8m (2013: £0.7m) in relation to a funding surplus under IAS 19R based on the agreed funding plan. Excluding the deferred tax liability, the pension liability at the year end was £5.7m (2013: £5.8m).

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

	2014 £m	2013 £m
Opening defined benefit obligation	37.9	36.3
Net interest cost	1.5	1.6
Actuarial (gains)/losses due to:		
Experience on benefit obligations	–	(0.4)
Changes in financial assumptions	(0.2)	1.5
Changes in demographic assumptions	0.6	1.2
Deferred tax movement on funding surplus under IAS 19R valuation	0.1	(0.1)
Benefits paid	(2.0)	(2.2)
Closing defined benefit obligations	37.9	37.9

Notes to the group financial statements continued

34 Pensions continued

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

	2014 £m	2013 restated £m
Opening fair value of scheme assets	31.4	29.8
Interest on scheme assets	1.3	1.4
Actual return on plan assets less interest on plan assets	(0.6)	1.2
Pension administration costs	(0.2)	(0.3)
Contributions	1.5	1.5
Benefits paid	(2.0)	(2.2)
Fair value of scheme assets	31.4	31.4

Sensitivities

The sensitivity of the 2014 pension liabilities to changes in assumptions are as follows:

Assumption	Change in assumption	Impact on scheme deficit £m
Discount rate	Decrease by 0.5%	2.7
Inflation	Increase by 0.5%	1.1
Life expectancy	Increase by 1 year	1.3

IAS19R Restatement

The consolidated income statement, the consolidated statement of comprehensive income and related notes for the year ending 31 March 2013 have been restated following amendments to IAS 19 'Employee Benefits'. The amendments require the return on defined benefit pension scheme assets to be calculated using the same discount rate that is applied to the present value of the defined benefit obligation. In addition, administration costs of the legacy defined benefit pension scheme, which are managed and paid by the Scheme Trustees, are required to be included in administrative expenses.

The result of these changes in comparative amounts is as follows:

	Year ended 31 March 2103 £m
Loss for the year as previously reported	(1.8)
Increase in administrative expenses	(0.3)
Decrease in finance costs	0.2
Loss for the year restated	(1.9)
Other comprehensive income as previously reported	(0.1)
Reduction in re-measurement losses on defined benefit scheme	0.1
Other comprehensive income (restated)	-

Notes to the group financial statements continued

35 Related party disclosures

As at 31 March 2014 the Group's principal subsidiaries are set out below:

Name and nature of business	Country of incorporation and registration	Type of share
Agency, marketing and distribution		
Acal BFi UK Ltd	England	Ordinary Shares
Acal Central Procurement Ltd	England	Ordinary Shares
Acal Enterprise Solutions Ltd	England	Ordinary Shares
Stortech Electronics Ltd	England	Ordinary Shares
Vertec Scientific Ltd	England	Ordinary Shares
Vertec Scientific SA	South Africa	Ordinary Shares
Acal BFi SAS	France	Ordinary Shares
Myrra SAS	France	Ordinary Shares
Acal BFi NV/SA	Belgium	Ordinary Shares
Acal BFi GmbH	Germany	Ordinary Shares
RSG Electronic Components GmbH	Germany	Ordinary Shares
MTC Micro Tech Components GmbH	Germany	Ordinary Shares
Acal BFi Technology AB	Sweden	Ordinary Shares
Electronic AB	Sweden	Ordinary Shares
Acal BFi Technology BV	Netherlands	Ordinary Shares
Acal BFi Italia Srl	Italy	Ordinary Shares
Acal BFi Iberia SL	Spain	Ordinary Shares
EMC Innovation Limited	South Korea	Ordinary Shares
Myrra Poland Sp	Poland	Ordinary Shares
Zhongshan Myrra Electronic Co Ltd	China	Ordinary Shares
Management services		
Acal Management Services Ltd	England	Ordinary Shares

All subsidiaries operate in their country of incorporation. All principal subsidiaries have a 31 March year end and the shares carry the same voting rights as their effective interest. With the exception of Acal Management Services Limited which is 100% owned by Acal plc, all subsidiaries are owned 100% by subsidiary undertakings.

Related parties**Remuneration of key management personnel**

The remuneration of the Directors, who are 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 39 to 53.

	2014 £m	2013 £m
Short term employee benefits	1.1	0.9
Share-based payments	0.4	0.4
	1.5	1.3

Associate Undertakings

For details of the Group's investments in associates see note 20.

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 39 to 53.

On 11 November 2013, the Group completed the disposal of its European business (included within the Supply Chain operating segment) to its management team for a consideration of £3.7m. Full details are provided in note 12. The disposal of the European Parts business was a related party transaction and received shareholder approval on 1 November 2013.

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. The disposal involved the sale of the Group's UK subsidiary, Acal Enterprise Solutions Limited ("AES"), to Agilita Holdings Limited, in which the current management team of AES are participating, for a cash consideration of £6.0m, of which £0.3m will be deferred, at the purchaser's option, until no later than 31 December 2014. Refer to note 13 for details. The transaction received shareholder approval on 2 June 2014.

Notes to the group financial statements continued

36 Events after the reporting date**Dividend**

A final dividend of 6.85p per share (2013: 6.0p), amounting to a dividend of £2.1m (2013: £1.9m), was declared by the Board on 16 May 2014. The Acal plc financial statements do not reflect this dividend.

Acquisition

Acal is pleased to announce today the proposed acquisition of the Noratel Group for NOK 735m (£73.5m) on a debt free/cash free basis. This major acquisition for the Group, which would be funded by a proposed £55m rights issue, along with funds drawn down under a £70m new Group facility, brings further specialist design and manufacturing skills into the Group, building on the already successful Myrra and Acal BFi electromagnetic businesses.

With a complementary customer base and product range, the Board believes the Noratel Group will be an excellent fit with the existing Acal businesses and customers, creating opportunities for organic growth throughout the enlarged customer base and geographies.

The Board believes that the acquisition and the rights issue are in the best interests of the Company and shareholders. It therefore recommends that shareholders vote in favour of this transaction at the Company's general meeting on 23 June 2014. Further details of the rights issue and acquisition are set out in the Company's circular and prospectus which is expected to be posted to shareholders in due course.

Disposal

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale.

The disposal involved the sale of the Group's UK subsidiary, Acal Enterprise Solutions Limited ("AES"), to Agilita Holdings Limited in which the current management team of AES are participating, for a cash consideration of £6.0m, of which £0.3m will be deferred, at the purchaser's option, until no later than 31 December 2014. Including transaction and related costs, the disposal is expected to result in a profit on disposal (excluding goodwill) of £2.4m and a loss on disposal of £3.3m (including goodwill). The accounting for the disposal will be finalised in FY 2015.

The disposal reflects Acal's continued strategy of building a specialist electronics supplier to the industrial and medical sectors and completes the programme of non core business disposals, following on from the disposals of its UK Parts business in the prior year and the European Parts Businesses in the year under review.

37 Exchange rates

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the period and consolidated statement of financial positions 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 2014		Year to 31 March 2013	
	Closing rate	Average rate	Closing rate	Average rate
US dollar	1.6648	1.5904	1.5143	1.5801
Euro	1.2074	1.1862	1.1826	1.2274

Acal plc

Company financial statements
for the year ended 31 March 2014

Report of the auditor

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 2014 which comprise balance sheet, and the related notes 1 to 10. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 54, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 at 31 March 2014;
- 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 Strategic Report and 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 2014.

Nick Powell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 June 2014

Notes:

- 1 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 2014

	notes	2014 £m	2013 £m
Fixed assets			
Investments	4	73.5	79.8
Current assets			
Debtors	5	7.2	4.5
Cash at bank and in hand		1.3	5.3
Total current assets		8.5	9.8
Creditors: Amounts falling due within one year	6	(18.6)	(21.8)
Net current liabilities		(10.1)	(12.0)
Net assets		63.4	67.8
Capital and reserves			
Share capital	7	1.6	1.6
Share premium	8	40.7	40.7
Other reserve	8	–	5.5
Merger reserve	8	3.0	3.0
Profit and loss account	8	18.1	17.0
Shareholders' funds	8	63.4	67.8

These financial statements were approved by the Board of Directors on 5 June 2014 and signed on its behalf by:


N J Jefferies
 Chief Executive


S M Gibbins
 Group Finance Director

Notes to the company financial statements

for the year ended 31 March 2014

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

Going concern

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report on pages 16 to 20.

The Group has significant 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 principal risks and uncertainties as disclosed on pages 21 and 22 of the Strategic Report.

The Group's forecasts and projections, taking account of the sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within the level of its current committed facilities for the foreseeable future.

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.

Cash flow statement

Under FRS1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Company is included in the Group, which publishes consolidated financial statements.

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.

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.

Notes to the company financial statements continued

3 Loss of the parent company

The loss of the parent company for the financial year was £2.3m (2013: £1.1m profit). By virtue of section 408(3) 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 2012	79.2
Share-based payments	0.6
At 31 March 2013	79.8
Impairment	(6.9)
Share-based payments	0.6
At 31 March 2014	73.5

The only principal investment held directly by the Company is in Acal Management Services Limited. Details of indirect holdings in other principal subsidiary and associate undertakings are provided in notes 35 and 20 respectively of the Group Financial Statements.

The investment in Acal Supply Chain Holdings Ltd was impaired by £6.9m following the comparison of the recoverable amount of the investment with its carrying value.

5 Debtors

	2014 £m	2013 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	6.7	3.2
Corporation tax	0.3	0.7
Deferred tax	0.1	0.1
Prepayments	0.1	0.5
	7.2	4.5

The deferred tax asset comprises temporary timing differences.

6 Creditors

	2014 £m	2013 £m
Amounts falling due within one year:		
Bank loans and overdrafts	0.8	–
Amounts owed to subsidiary undertakings	16.8	19.8
Other creditors	0.5	0.5
Accruals and deferred income	0.5	1.5
	18.6	21.8

Notes to the company financial statements continued

7 Share capital

Authorised	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary shares of 5p each	44,000,000	2.2	44,000,000	2.2

Alloted, called up and fully paid	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary shares of 5p each	31,332,127	1.6	31,295,878	1.6

On 28 March 2013, the Company issued 2,816,074 new ordinary shares to new and existing shareholders through an equity placing. The terms of the issue were fixed on 8 March 2013 through a placing agreement, with an issue price of 215 pence per share representing a 1.8% discount on the closing price on 7 March 2013. Net proceeds were £5.7m, being gross proceeds on issue of £6.1m, less directly attributable expenses of £0.4m.

The placing structure attracted merger relief under section 612 of the Companies Act 2006 resulting in a credit to the Other reserve of £5.5m, being net proceeds on issue of £5.7m less the nominal value of the shares issued of £0.2m. During the current year, upon completion of the placing structure, the full amount became distributable and was therefore transferred to retained earnings.

The new shares issued rank pari passu in all respects with the existing shares issued, including the right to receive all dividends and other distributions declared, made or paid on the existing Ordinary shares.

At 31 March 2014, there were outstanding options for employees of subsidiaries to purchase up to 2,149,103 (2013: 2,647,788) ordinary shares of 5p each between 2014 and 2024, at prices ranging from nil per share to £3.8725 per share. During the year to 31 March 2014, 36,249 options were exercised by employees under the terms of the various share option schemes (2013: none).

8 Reconciliation of shareholders' funds and movements on reserves

	Share capital £m	Share premium £m	Other reserve £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2012	1.4	40.7	–	3.0	17.6	62.7
Shares issued	0.2	–	5.9	–	–	6.1
Share issue costs	–	–	(0.4)	–	–	(0.4)
Profit for the year	–	–	–	–	1.1	1.1
Share-based payments	–	–	–	–	0.6	0.6
Dividends	–	–	–	–	(2.3)	(2.3)
At 31 March 2013	1.6	40.7	5.5	3.0	17.0	67.8
Loss for the year	–	–	–	–	(2.3)	(2.3)
Share-based payments	–	–	–	–	0.6	0.6
Dividends	–	–	–	–	(2.7)	(2.7)
Transfer of other reserve (note 7)	–	–	(5.5)	–	5.5	–
At 31 March 2014	1.6	40.7	–	3.0	18.1	63.4

9 Related parties

The Company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other wholly owned subsidiaries of the Company, as the Group financial statements in which the Company is included are publicly available.

The Company has given guarantees and offset arrangements to support bank facilities made available to subsidiary undertakings.

10 Share-based payments

For detailed disclosures of share-based payments granted to the employees of subsidiaries refer to note 33 of the Group Financial Statements.

Five year record

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Group income statement – continuing operations					
Revenue	211.6	177.4	207.1	210.5	119.6
Gross profit	63.0	54.4	62.2	60.3	32.4
Underlying operating profit/(loss)	7.1	5.5	6.8	6.2	(2.0)
Underlying profit/(loss) before tax	6.3	5.0	5.9	6.0	(2.1)
Profit/(loss) before tax	4.2	0.7	2.1	1.9	(6.9)
Profit/(loss) for the year from continuing operations	3.7	2.1	1.8	1.9	(7.0)
(Loss)/profit for the year from discontinued operations	(2.4)	(4.0)	0.3	(0.2)	0.4
Profit/(loss) for the year	1.3	(1.9)	2.1	1.7	(6.6)
Earnings/(loss) per share – continuing operations					
Underlying diluted earnings/(loss) per share	16.2p	13.5p	16.9p	15.5p	(10.0)p
Fully diluted earnings/(loss) per share	11.1p	7.1p	6.1p	6.4p	(25.9)p
Dividend per share	9.35p	8.50p	8.00p	7.47p	7.00p
Group statement of financial position					
Net cash	1.8	11.8	6.3	6.7	13.9
Non-current assets	33.1	30.9	32.5	27.7	22.6
Net assets	48.5	51.5	49.1	51.3	51.9

Prior years have been restated on a continuing basis.

Principal locations

Acal is a specialist electronics group supplying niche electronics to industrial manufacturers and the healthcare sector. The Group operates a number of high quality businesses, which supply and create individual product solutions to meet specific customer needs.

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
	Vertec Scientific Ltd	Silchester
Belgium	Acal BFi Belgium NV/SA	Brussels
France	Acal BFi France SAS	Evry
	Myrra SAS	Bussy-Saint-Georges
Germany	Acal BFi Germany GmbH	Dietzenbach, Munich
	MTC Micro Tech Components GmbH	Dillingen
	RSG Electronic Components GmbH	Offenbach
	Acal BFi Italia Srl	Milan
Italy	Acal BFi Italia Srl	Milan
Netherlands	Acal BFi Netherlands BV	Eindhoven
Poland	Myrra Poland Sp	Kaluszyn
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
South Africa	Vertec Scientific SA (pty) Ltd	Johannesburg
China	Zhongshan Myrra Electronic Co Ltd	Zhongshan
South Korea	EMC Innovation Ltd	Incheon City

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

www.acalplc.co.uk

Notes to the operating performance and financial highlights

- 1 'Underlying Operating Profit', 'Underlying EBITDA', 'Underlying Operating Costs', 'Underlying Profit before Tax' and 'Underlying Diluted EPS' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude results from discontinued operations, exceptional items, amortisation of acquired intangible assets and the IAS19 pension charge relating to a legacy defined benefit scheme. For further information see note 2 to the financial statements.
- 2 The Supply Chain division has been accounted for as a discontinued operation following the sale of its two remaining businesses, the European Parts business completed on 11 November 2013 and the Enterprise business completed on 3 June 2014.
- 3 Growth rates at constant exchange rates ("CER"). Unless stated, growth rates refer to the comparable prior year. Note that, for the average Euro rate against Sterling, the Euro strengthened 3% for the year compared to last year. The impact on reported sales for this period was an increase of 2%.
- 4 Like-for-like growth rates (also referred to as organic growth rates) are at constant exchange rates, excluding the acquisitions of Myrra, YEG and RSG.
- 5 Free cash flow is defined as net cash flow before payment of exceptional items, payments to the legacy defined benefit pension fund, dividend payments, net proceeds from equity fund raising, the cost of acquisitions and proceeds from business disposals.
- 6 Acquisitions in the year – Myrra Group ("Myrra") was acquired on 4 April 2013, the trade and assets of Young Electronics Group ("YEG") were acquired on 30 August 2013 and RSG Electronic Components GmbH ("RSG") was acquired on 2 December 2013.
- 7 Return On Trading Capital Employed ("ROTCE") is defined as underlying operating profit as a percentage of net operating assets. Net operating assets are defined as tangible and intangible assets (excluding goodwill and deferred tax) plus working capital.
- 8 Ongoing revenue is defined as continuing revenue excluding the terminated non-specialist products announced in FY2011/12.