Final Results

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ACAL plc

Preliminary Results for the year ended 31 March 2011

Continuing strong sales and focus on specialisation drives profitability growth

Acal plc (LSE: ACL, "Acal" or "The Group"), the European specialist provider of technology products and services, today announces its preliminary results for the year ended 31 March 2011.

	FY 2010/11	FY 2009/10
Revenue	**£265m**	£182m
Underlying Operating Profit/(Loss)[1]	**£7.4m**	£(0.7)m
Underlying Profit/(Loss) before Tax[1]	**£7.1m**	£(0.9)m
Profit/(loss) before Tax	**£1.9m**	£(6.3)m
Underlying Diluted EPS[1]	**18.6p**	(6.3)p
Fully Diluted EPS	**5.7p**	(24.5)p
Dividend per Share	**7.47p**	7.0p

Highlights

- Revenues increase 46%
  - Group like for like sales up 21% [2] (Electronics 27%)
- Strong return to overall profitability
  - H2 underlying operating profitability up 64% from H1 to £4.6m
- Gross margins up 0.8ppts to 28.4%
- Working capital efficiency increases to 12% of sales (2009/10:12.7%)
- Cashflow pre exceptionals and acquisitions of £2.6m
- Successful integration of BFi Optilas - annualised synergies of £4.4m delivered
- Acquisition of Compotron for £7.1m, enhancing German specialist electronics business
- Final dividend increased by 10% to 5.14p (2010:4.67p)

Post period end highlights

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

Nick Jefferies, Group Chief Executive, commented:

"This has been another year of significant progress. Reported sales increased 46% to £265m, and underlying operating profitability increased 64% in the second half to £7.4m for the year.

The integration of BFi Optilas was successfully completed delivering the planned £4.4m of annualised savings. The acquisitions of Hectronic AB announced today and Compotron GmbH in January have further developed our specialist product offering in key territories. We have a strong platform from which to continue the development of Europe's leading specialist electronics distributor.

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

For further information, please contact:-

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Notes

(1) 'Underlying Operating Profit/(Loss)', 'Underlying Profit/(Loss) 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 exceptional costs, earn out remuneration, amortisation of acquired intangibles and IAS19 pension charge relating to a legacy defined benefit scheme (see note 5 to the preliminary results). 'Underlying Operating Profit/(Loss)', 'Underlying Profit/(Loss) before Tax' and 'Underlying Diluted EPS' are not defined by or presented in accordance with IFRS and should not be considered as an alternative to Operating Profit/(Loss), Profit/Loss before Tax, Fully Diluted EPS or any other measures of performance under IFRS. These non-IFRS measures are not intended to be a projection or forecast of future results.

(2) Like for like sales are at constant exchange rates, including acquisitions for the whole of the comparative period and excluding the ATM Parts business (effective disposal date 30 September 2010), a material non-core Supply Chain contract terminated at the end of the last financial year and Compotron, which was acquired in January 2011. See note 5 to the preliminary results.

Notes to Editors:

The Acal Group is a European specialist provider of technology products and services providing sales, marketing, engineering and other services through three divisions: Electronics, Supply Chain and Medical. The Electronics Division is Europe's leading specialist distributor of electronic and photonic products to industrial manufacturing and design companies. The Supply Chain Division provides inventory optimisation and outsource solutions to leading technology service providers while the Medical Division supplies advanced medical equipment to public and private healthcare providers. Acal has operating companies in the UK, Netherlands, Belgium, Germany, France, Italy, South Africa, Spain and the Nordic region.

Chairman's Statement

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

Strategy and acquisitions

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

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

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

Results

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

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

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

Including exceptional items, earn out costs, amortisation of acquired intangibles and IAS19 pension finance charge, IFRS reported profit before tax was £1.9m (2009/10: loss of £6.3m).

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

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

Integration of BFi

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

Dividend

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

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

Board and employees

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

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

The year ahead

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

Richard Moon
Chairman
1 June 2011

Strategic and Operational Review

Strategy

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

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

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

Grow presence in key European markets

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

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

Expand the specialist product offering

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

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

Increase operational efficiency

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

The operational savings of £3.0m in the year (£4.4m annualised) gained from the merger of Acal Technology and BFi have enabled a further improvement in operational efficiency during the year. Additionally, working capital efficiency improved in the second half to 12.0% of sales (H1: 12.7%).

Performance

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

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

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

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

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

Working capital continues to be tightly controlled. Despite the strong recovery in demand, overall working capital as a percentage of sales reduced to 12.0%, a 0.7% reduction in sales ratio from last year. In the Electronics division, our specialist model mainly serves customers on a project basis, and therefore is not generally reliant on immediate availability of stock to support sales. Project design cycles vary in length from a few months to two or three years before customers enter production. This gives greater visibility of forward demand, and reduces the need to hold uncommitted inventory. As a result, Group net stock turns have increased to 7.9x from 7.4x in H2 2009/10 and 5.3x in H2 2008/09.

Divisional performance

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

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

(1) Underlying Operating Profit excludes exceptional items, earn out remuneration and amortisation of acquired intangibles (see page 2).

Electronics

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The performance of the Electronics division in the year has been robust driven by strong sales growth, combined with the delivery of the planned merger synergies. Year on year sales grew by 80% reported, 27% on a like for like basis. Order intake was strong throughout the year, with the customer order book ending the year 21% ahead of the prior year.

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

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

Supply Chain

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

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

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

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

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

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

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

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

Medical

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

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

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

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

Summary and Outlook

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

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

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

Nick Jefferies
Group Chief Executive
1 June 2011

Finance Review

Strong growth in revenue

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

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

Improving gross margins and operational efficiency

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

Over the same period, the Group also delivered improved operational efficiency with underlying operating expenses as a percentage of sales reducing from 29.9% in H1 2009/10 to 25.2% in H2 2010/11. This represents sequential improvement in each of the last four half years including 0.9 percentage points improvement in the last 6 months (H1 2010/11 operating expenses as a percentage of sales: 26.1%).

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

Exceptional items

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

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

Additional detail on exceptional items is given in note 8 of the preliminary results.

Growing operational profitability

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

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

Lower finance costs

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

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

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

Taxation

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

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

Return to bottom line profitability

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

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

Increase in dividend

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

Continuing acquisition strategy

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

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

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

Disposal of non core assets

On 12 October 2010, the Group sold its loss-making subsidiary, ATM Parts Company Limited ("ATM Parts") for a consideration of £0.7m on a debt free, cash free basis. Costs of disposal were £0.1m. The disposal gave rise to an exceptional charge of £0.4m being the value impairment of the net assets sold.

Working capital

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

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

Cash flow and financing

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

The Group invested a net £4.4m related to acquisitions and disposals during the year, all in the second half. The company paid an upfront amount of £5.2m for the acquisition of Compotron in the last quarter of the year. Acquired with the company was £0.9m of cash making a net payment in the year of £4.3m. Future cash payments of up to €2.3m (£1.9m) are payable at the year end comprising a working capital settlement of €0.6m (£0.5m) which was paid in April 2011, and earn out remuneration of up to €1.7m (£1.4m) payable in January 2013.

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

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

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

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

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

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

Net assets

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

Pension deficit

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

Assets of the defined benefit scheme were valued at £29.1m at 31 March 2011 (31 March 2010: £29.3m). Scheme liabilities under International Accounting Standard No 19 (IAS19) were valued by the actuaries at £34.6m (31 March 2010: £34.8m), giving a deficit of £5.5m (31 March 2010: £5.5m). Further details are given in Note 15 to the preliminary results.

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

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

Risks and uncertainties

The risks and uncertainties which may have the largest impact on performance are described in detail in our latest Annual Report. In summary these are:

- Commercial risks - product demand, competition, product liability, loss of contracts, supply chain disruption and loss of key personnel.
- Financial risks - liquidity, foreign currency, interest rates and credit risks, retirement benefits funding and acquisitions.

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

Simon Gibbins
Group Finance Director
1 June 2011

Consolidated income statement
Year ended 31 March 2011

	notes	**2011 £m**	2010 £m
Revenue	6,7	**264.8**	181.6

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

Supplementary income statement information

Underlying Performance Measure		**2011 £m**	2010 £m
Operating profit/(loss)		**2.5**	(5.5)
Add: Exceptional items	8	**4.4**	4.7
Earn out remuneration		**0.2**	-
Amortisation of acquired intangibles		**0.3**	0.1
Underlying operating profit/(loss)		**7.4**	(0.7)
Profit/(loss) before tax		**1.9**	(6.3)
Add: Exceptional items	8	**4.4**	4.7
Earn out remuneration		**0.2**	-
Amortisation of acquired intangibles		**0.3**	0.1
IAS 19 charge for pension finance cost		**0.3**	0.6
Underlying profit/(loss) before tax		**7.1**	(0.9)
Underlying earnings/(loss) per share	10		
Basic		**19.3p**	(6.3)p
Diluted		**18.6p**	(6.3)p

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

Consolidated statement of comprehensive income
for the year ended 31 March 2011

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

Consolidated Statement of Financial Position
at 31 March 2011

	notes	**2011 £m**	2010 £m
Non-current assets			
Property, plant and equipment		**3.8**	3.9
Intangible assets - goodwill	14	**17.4**	13.9
Intangible assets - other		**3.7**	2.1

Deferred tax assets		**2.8**	2.7
		27.7	22.6
Current assets			
Inventories		**25.3**	23.7
Trade and other receivables		**59.3**	53.7
Current tax assets		**0.1**	0.2
Cash and cash equivalents		**13.6**	17.3
		98.3	94.9
Total assets		**126.0**	117.5
Current liabilities			
Trade and other payables		**(51.6)**	(46.1)
Short-term borrowings		**(5.1)**	(3.4)
Current tax liabilities		**(4.3)**	(2.9)
Provisions		**(2.9)**	(4.2)
		(63.9)	(56.6)
Non-current liabilities			
Long-term borrowings		**(1.8)**	-
Pension liability	15	**(5.5)**	(5.5)
Deferred tax liabilities		**(0.2)**	(0.2)
Provisions		**(3.3)**	(3.3)
		(10.8)	(9.0)
Total liabilities		**(74.7)**	(65.6)
Net assets		**51.3**	51.9
Equity			
Share capital		**1.4**	1.4
Share premium		**40.7**	40.6
Merger reserve		**3.0**	3.0
Currency translation reserve		**2.8**	2.9
Retained earnings		**3.4**	4.0
Total equity		**51.3**	51.9

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

N J Jefferies
Chief Executive

S M Gibbins
Finance Director

Consolidated statement of changes in equity

for the year ended 31 March 2011

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

comprehensive income	-	-	-	(0.1)	(0.6)	(0.7)	-	(0.7)
Total comprehensive income	-	-	-	(0.1)	1.1	1.0	-	1.0
Share based payment transactions	-	-	-	-	0.3	0.3	-	0.3
Issue of share capital	-	0.1	-	-	-	0.1	-	0.1
Equity dividends	-	-	-	-	(2.0)	(2.0)	-	(2.0)
At 31 March 2011	**1.4**	**40.7**	**3.0**	**2.8**	**3.4**	**51.3**	**-**	**51.3**

Nature and purpose of other reserves:

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

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

Consolidated cash flow statement
for the year ended 31 March 2011

	notes	**2011 £m**	2010 £m
Net cash flows from operating activities	12	**0.4**	1.5
Cash flows from investing activities			
Acquisition of shares in subsidiaries	11	**(5.2)**	(11.7)
Net cash/(debt) acquired with subsidiaries	11	**0.9**	(1.0)
Disposal of shares in subsidiaries (net of disposal costs)		**0.6**	-
Proceeds from sale of other financial assets		**-**	1.0
Revision to proceeds from sale of business		**(0.7)**	-
Purchases of property, plant and equipment		**(1.1)**	(0.7)
Proceeds from sale of property, plant and equipment and intangibles		**-**	1.4
Purchases of intangible assets - software		**(0.2)**	(0.4)
Interest received		**0.3**	0.4
Net cash outflow from investing activities		**(5.4)**	(11.0)
Cash flows from financing activities			
Proceeds from issuance of shares		**0.1**	-
Increase/(decrease) in borrowings		**2.6**	(0.2)
Dividends paid to company's shareholders	9	**(2.0)**	(1.6)
Net cash inflow/(outflow) from financing activities		**0.7**	(1.8)
Net decrease in cash and cash equivalents		**(4.3)**	(11.3)
Cash and cash equivalents at 1 April		**13.9**	24.8
Effect of exchange rate fluctuations		**(0.2)**	0.4
Cash and cash equivalents at 31 March		**9.4**	13.9

Reconciliation to cash and cash equivalents in the balance sheet		
Cash and cash equivalents shown above	**9.4**	13.9
Add back overdrafts	**4.2**	3.4
Cash and cash equivalents shown within current assets in the balance sheet	**13.6**	17.3

ACAL plc

Notes to the preliminary statement
for the year ended 31 March 2011

1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 1 June 2011. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies whereas those for 2011 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 2006.

The format of the consolidated income statement has been changed from prior years to simplify the presentation and aid the users of the accounts. Exceptional items are now included within the appropriate income or expense category and a reconciliation is provided to arrive at the underlying performance measures used by the Directors. Further information relating to underlying performance measures is provided in note 5.

2. Basis of preparation

The financial information in this statement is 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.

3. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic and Operational Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review.

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

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

4. Accounting policies

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

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

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

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

IFRIC 14 addresses three issues:

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

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

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

5. 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 the Preliminary results.

Underlying operating profit/(loss)

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

Underlying profit/(loss) before tax

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

Underlying effective tax rate

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

Underlying earnings/(loss) per share

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

Underlying operating cash flow

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

Like for like basis

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

6. Operating segment information

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

- Electronics - specialist distribution of electronic and photonic products to industrial manufacturing and design companies.

- Supply Chain - service parts, inventory optimisation and outsource solutions to leading IT service providers.
- Medical - supply of advanced medical equipment to public and private healthcare providers.

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

There are immaterial sales between business segments.

Segment revenue and results

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

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

7. Geographical analysis of revenue by destination

	2011 £m	2010 £m
UK	**79.9**	75.1
Europe	**175.3**	100.4
Rest of the World	**9.6**	6.1
	264.8	181.6

8. Exceptional items

		2011 £m	2010 £m
Administrative expenses:			
Integration restructuring costs	(a)	**(3.6)**	(2.4)
Other restructuring costs	(b)	**(0.8)**	(1.9)
Write back of unutilised provisions for retained obligations	(c)	**0.6**	-
Adjustment to profit on disposal of other financial assets	(d)	**-**	(0.1)
Acquisition costs	(e)	**(0.2)**	-
Impairment of goodwill	(note 14)	**-**	(0.3)
Net operating exceptional costs		**(4.0)**	(4.7)
Non operating costs:			
Impairment of net assets	(f)	**(0.4)**	-
Total exceptional items before tax		**(4.4)**	(4.7)
Tax on exceptional items		**1.4**	0.3
Total exceptional items net of tax		**(3.0)**	(4.4)

(a) Integration restructuring costs relate to costs incurred to achieve the synergies from integrating the back office functions of the BFi business acquired in December 2009. The costs primarily relate to staff termination costs, legal merger costs, certain dual running and onerous lease costs relating to the relocation of the

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

9. Dividends

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

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

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

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

10. Earnings/(loss) per share

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

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

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

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

	No	No
Weighted average number of shares for basic earnings per share	**28,431,486**	26,987,847
Effect of dilution - share options	**1,214,467**	620,498
Adjusted weighted average number of shares for diluted earnings per share	**29,645,953**	27,608,345

Basic earnings/(loss) per share	**6.0p**	(24.5)p
Diluted earnings/(loss) per share	**5.7p**	(24.5)p

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

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

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

	No	No
Weighted average number of shares for basic earnings per share	**28,431,486**	26,987,847
Effect of dilution - share options	**1,214,467**	620,498
Adjusted weighted average number of shares for diluted earnings per share	**29,645,953**	27,608,345

Underlying basic earnings/(loss) per share	**19.3p**	(6.3)p
Underlying diluted earnings/(loss) per share	**18.6p**	(6.3)p

11. Business combinations

Acquisition of CompoTRON GmbH ("Compotron")

On 12 January 2011, the Group acquired 100% of the voting shares of Compotron a privately owned specialist provider of electronic communication and fibre optic components to the European industrial electronics market. The acquisition is a further step in the implementation of the Group's European specialisation strategy and enhances the Group's position in the German specialist electronics market.The total consideration was £5.7m, of which £5.2m was paid immediately and £0.5m relating to working capital settlement was paid in April 2011. In addition up to £1.4m earn out remuneration is potentially payable in January 2013 dependent on the business achieving agreed performance targets.

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

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

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

Net cash outflows in respect of the acquisition comprise:

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

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

Transaction costs of £0.2m have been expensed and are included as exceptional items in administration expenses (see Note 8).

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

12. Reconciliation of cash flows from operating activities

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

(Increase)/decrease in working capital	**(2.7)**	8.6
Cash generated from operations	**0.5**	5.2
Interest paid	**(0.6)**	(0.6)
Income taxes received/(paid)	**0.5**	(3.1)
Net cash flows from operating activities	**0.4**	1.5

13. Movements in cash and net debt

	2011	2010
	£m	£m
Net decrease in cash and cash equivalents	**(4.3)**	(11.3)
Cash outflow/(inflow) from borrowings	**(2.6)**	0.2
Effect of exchange rate fluctuations	**(0.3)**	0.5
Decrease in net cash	**(7.2)**	(10.6)
Net cash at beginning of the year	**13.9**	24.5
Net cash at end of the year	**6.7**	13.9

14. Intangible assets - goodwill

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

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

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

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

Impairment testing of goodwill

The carrying amount of goodwill is analysed as follows:

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

There were no impairments during the year (2010: £0.3m)

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

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

15. Pensions

The pension liability relates to the Sedgemoor Group Pension Fund which was brought into the Group on the acquisition of the Sedgemoor Group in 1999. The fund, which is a defined benefit scheme, is operated as a 'paid up' pension scheme with only pensioners and deferred members.

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

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

The IAS 19 liability at 31 March 2011 was £5.5m (2010: £5.5m) and the IAS 19 pension finance cost for the year was £0.3m (2010: £0.6m).

16. Post balance sheet event

Acquisition of Hectronic AB

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

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

17. Exchange rates

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

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

18. Annual Report and Accounts

The Annual Report and Accounts will be mailed to shareholders on or before 25 June 2011. Copies will also be available at the company's registered office: 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, GU2 7AH. In addition, this report is available on the company's website: www.acalplc.co.uk.

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