Preliminary Results

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ACAL plc

Preliminary Results for the year ended 31 March 2013

Successful strategy continues to make progress in challenging markets

Acal plc (LSE: ACL, "Acal" or "The Group"), a leading European specialist electronics supplier, today announces its preliminary results for the year ended 31 March 2013.

	FY 2012/13	FY 2011/12	CER growth[2]	CER ongoing growth[3]
Revenue	**£219m**	£258m	-12%	-5%
Gross Profit	**£67.9m**	£77.9m	-10%	-4%
Underlying Operating Profit[1]	**£6.9m**	£8.1m	-9%	
Underlying Profit before Tax[1]	**£6.3m**	£7.2m	-6%	
PBT (excluding loss on disposal)[4]	**£2.0m**	£2.7m		
(Loss)/Profit before tax	**(£3.1)m**	£2.7m		
Underlying Diluted EPS[1]	**17.5p**	19.9p	-6%	
Fully Diluted EPS	**(6.3)p**	7.1p		
Full year dividend per share	**8.5p**	8.0p	+6%	

Financial highlights

- Stronger second half with Electronics orders up 9%[2] from first half, and sales up 3%[2]
- Further market share gains; 7ppts ahead of market
- Gross margin up 0.8ppts to 31.0% reflecting highly differentiated market approach
- Underlying operating costs down 10%[2] reflecting continued tight control
- Maintained underlying operating margin at 3.1%
- Working capital to sales ratio improved by 0.5ppts to 11.6%
- Free cash flow[5] of £7.7m being 112% of underlying operating profit
- Full year dividend increase of 6%

Strategic highlights

- Acquisition of Myrra Group for an initial payment of €9.5m (£8.1m) completed 4 April 2013
- Funded by £5.7m of net equity placing received 28 March 2013 and a new £8.0m debt facility
- Disposal of Supply Chain's UK Parts business completed 3 January 2013

- New Electronics web marketing platform now live across all Acal territories in Europe

Nick Jefferies, Group Chief Executive, commented:

" The Group has performed well in challenging markets, increasing market share and gross margins and generating strong cash flow. Further, the increased flexibility of our cost base has minimised the impact of lower volumes on earnings.

Second half trading improved noticeably with Electronics orders increasing 9% over the first half and 5% over the prior year.

Our strategy of providing specialist electronic products and solutions to industrial customers continues to make good progress as we build a differentiated industrial electronics group. Our acquisitions are performing well bringing both new customers and opportunities to the Group. Myrra, our latest acquisition, is performing as expected, adding to our manufacturing capabilities and providing access to new regions.

The new year has started well. Both the base Electronics business and the acquired Myrra Group are performing as expected, with combined orders in April and May being 19% higher than the Group reported last year and 7% higher excluding Myrra. Whilst market conditions are still challenging, they have stabilised and are showing some early indications of improvement. As such, we are cautious but optimistic for the future. The Board is confident that through a combination of organic and acquisitive development, Acal will deliver performance ahead of the wider market."

For further information, please contact:

Acal plc
Nick Jefferies - Group Chief Executive 01483 544500
Simon Gibbins - Group Finance Director

Cubitt Consulting
Simon Brocklebank-Fowler 020 7367 5100
Gareth David
Cebuan Bliss

Notes

(1) 'Underlying Operating Profit', '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 exceptional costs, amortisation of acquired intangible assets, loss on disposal of businesses and the IAS19 pension charge relating to the Group's legacy defined benefit pension scheme. 'Underlying Operating Profit', 'Underlying Profit 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, profit/(loss) before tax ("PBT"), fully diluted EPS or any other IFRS performance measures. These non-IFRS performance measures are not intended to be a projection or forecast of future results. For further information, see note 5 to the preliminary results.

(2) Growth rates at constant exchange rates ("CER"). Note that, for the average Euro rate against Sterling, the Euro weakened 6% for the financial year 2012/13 compared with 2011/12. The impact on sales for this financial year is a reduction of 3%.

(3) Ongoing revenue and gross profit growth at constant exchange rates excluding the disposed non-core UK Parts business and the discontinued non-specialist Electronics division products announced last year.

(4) The disposal of the non-core UK Parts business gave rise to a loss on disposal of £5.1m (see note 11 to the preliminary results).

(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 the proceeds from disposals.

Note to Editors:

Acal is a European leader in advanced technology solutions, providing marketing, engineering, design, manufacturing and other services through two divisions: Specialist Electronics and Supply Chain.

The Electronics division is a leading European specialist electronics supplier and the only such provider with an infrastructure to deliver a broad complementary range of specialist products and bespoke solutions across Europe. The Electronics division has completed five acquisitions in the last four years, more than doubling its underlying Electronics revenues. Acal's long term strategy is to gain significant additional market share through both organic growth and acquisition and to further enhance its value adding capabilities. The Supply Chain division provides inventory optimisation and outsource solutions to leading technology service providers.

Acal has operating companies across Europe including the UK, Germany, France, Benelux, Italy, Poland, Spain and the Nordic region. Additionally Acal has operating companies in Asia (China and South Korea) and Africa (South Africa).

CHAIRMAN'S STATEMENT

This has been another year of progress for Acal. The strategy of building a leading, focused specialist electronics group continues to develop. Revenue levels reflect the difficult economic conditions that we operate in, but I am pleased to report that we have continued to gain market share during the period. We put this down to an increasing awareness of the Group's differentiated offer to customers and because niche product demand is less cyclical than that of commodity products.

Margin performance is another indicator of the successful strategy. Underlying operating margin remained steady during the year and gross margin increased for the fourth consecutive year. The Board expects that further efficiency improvements will increase operating margin this coming year bringing operating margin closer to our mid term target of 5%, whilst any improvement in economic conditions will give this a further boost.

The Group invested significantly during the year in new capabilities. The new Electronics web marketing platform is now live and has transformed the on-line experience, and our custom development and production facilities in the UK have been expanded to create additional capability and capacity.

Acquisitions continue to play an important role. The acquisition of the Myrra Group, which was completed in April 2013, was very well supported by shareholders. In this lower growth economic environment, value enhancing acquisitions will continue to play an important role in

generating growth, as well as realising the opportunity to further consolidate a fragmented market. The sale of Supply Chain's loss-making UK Parts business in January 2013 further increased our focus and resources on the Electronics business.

The Myrra acquisition brings with it a manufacturing operation in Southern China, which further increases our capabilities in Asia and could serve as a platform for further expansion. As was stated in last year's report, we continue to search for opportunities both within Europe and beyond.

The Board believes that there is significant opportunity to generate further value for shareholders by continuing to build Acal's position as a specialist supplier of Electronic products.

Results

Revenue for the year was £219.2m. At constant exchange rates, this represents a 5% reduction in ongoing sales versus last year (i.e. excluding the discontinued non-specialist product sales announced in 2011/12 and the UK Parts disposal announced this year). As detailed in the Operating Review, this compares favourably with the European market, which has declined by 11%.

Group gross margin increased by 0.8 percentage points ("ppts") to 31.0% over the same period last year (2011/12: 30.2%). Over the last four years, gross margin has grown by 4.5ppts reflecting the changing nature of the business from distribution of standard products to a specialist supplier of niche electronics and solutions.

The combination of tight management of operating expenses (down 10% at constant exchange rates) and improved gross margins helped mitigate the revenue impact from the economic downturn and maintain Group underlying EBITDA margin at 4.0% and underlying operating margin at 3.1%.

Underlying profit before tax was £6.3m, £0.9m below last year (2011/12: £7.2m). At constant exchange rates, the reduction compared with last year was £0.4m or 6%. Underlying diluted earnings per share were 17.5p (2011/12: 19.9p). At constant exchange rates the reduction was 6%.

After exceptional items (restructuring, web development and acquisition costs), the amortisation of acquired intangible assets, and the IAS19 legacy pension charge, the reported profit before tax and business disposals was £2.0m, down from £2.7m last year.

Overall, there was a reported loss before tax of £3.1m, which included a loss on disposal of the UK Parts business of £5.1m, resulting in a fully diluted loss per share of 6.3p.

Acquisitions

The acquisition of Myrra Group, was announced in March 2013 and completed on 4 April. The business was acquired for an initial consideration of €9.5m (£8.1m) plus a three year performance related earn-out of up to €1.8m (£1.5m) and was funded through a new debt facility of £8.0m and an equity placing, which raised net proceeds of £5.7m from both existing and new shareholders.

It remains a priority for the Board to accelerate growth through the acquisition of value enhancing, specialist electronic businesses, complementing organic growth. The Group targets businesses where the opportunity exists to build our market position in either a specific technology and/or geography and where the opportunity for above average growth exists.

Dividends

It is the Board's intention to maintain a progressive dividend policy wherever practical to do so, and as such, the Board is recommending an increase in the final dividend of 9% to 6.0 pence per share (H2 2012/13: 5.5 pence), giving a full year dividend increase of 6% to 8.5 pence per share; a cover of 2.1 times on an underlying basis. In total, the dividend has been increased by 21% over the last three years. Over the medium term, it is the Board's intention to maintain dividend cover in the range of two to three times earnings.

The dividend is payable on 31 July 2013 to shareholders on the register as at 14 June 2013.

Board Changes

A number of changes to the Board have been announced since last year as explained below.

Having served a three year term as a Non-Executive Director of the Group, Ian Fraser stood down from the Board on 31 December 2012. On behalf of the Board, I would like to thank Ian for his contribution.

On 1 January 2013, Richard Brooman joined the Board as a Non-Executive Director. Richard brings with him a broad base of experience in a number of board level roles, currently serving as Deputy Chairman of Invesco Perpetual UK Smaller Companies Trust plc and a Non-Executive Director of Hg Capital Trust plc and follows previous experience as Group Finance Director of Sherwood plc and VCI plc.

On 1 May 2013, Henrietta Marsh joined the Board as a Non-Executive Director. Henrietta is currently a Non-Executive Director of Dods Group plc and an Operating Partner of ISIS Equity Partners, having held previous roles as a Fund Manager at ISIS and a Director at 3i plc.

Eric Barton will be retiring at the AGM in July 2013, having been a Non-Executive Director and Chair of the Audit Committee since 2002 and Senior Non-Executive Director since 2005. Following Eric's departure, Graham Williams, a Non-Executive Director since 2003, will become the Senior Non-Executive Director, and Richard Brooman will become Chair of the Audit Committee.

On behalf of the Board, I would like to welcome Richard and Henrietta, and to thank Eric for his valuable contribution. He will be greatly missed and we wish him well in retirement.

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 continued dedication and commitment. On behalf of the Board I would like to thank them.

I would also like to welcome those employees from Myrra who have joined the Group through acquisition, and also to wish the UK Parts management buy out team well in their new venture.

The year ahead

With organic initiatives underway and further acquisition opportunities, the Board remains confident that, whilst being cautious over economic conditions, our strategy and its implementation will deliver performance ahead of the wider market and build value for shareholders.

Richard Moon
4th June 2013

OPERATING REVIEW

Acal supplies specialised Electronic and Photonic products to equipment manufacturers. The majority of our products are niche, often unique and require a high level of technical knowledge to enable products to be designed to exact customer specifications.

Our customers operate in industrial sectors such as transportation, renewable energy, medical, motor control, healthcare, aerospace, defence and security, where our products are often a minority of the total system cost. These markets are stable, have good long term growth prospects and often require highly customised solutions. In many cases, our customers supply to international markets, and therefore a significant proportion of the Group's revenue is linked to export demand.

The Group creates bespoke solutions for customers. As such, we offer a wide range of custom service capabilities across the full range of product technologies. Such capabilities enable customers to outsource elements of their design and manufacturing, saving them time and money. In return, Acal benefits from stable customer relationships generating sustainable long term margins.

During the year, a number of investments were made that will develop the Electronics business. In the last four months, the Electronics web marketing platform has been fully launched across Europe. During the second half, the UK Custom Service centre was upgraded and expanded as part of a larger investment in our custom service capabilities. Work also began during the period on upgrading our ERP system which will bring with it a number of operational enhancements, as well as ensuring the suitability of the system for future years.

Group Objectives

The Group has a number of key objectives, unchanged from previous years, which aim to build a high performance, growth-oriented business over the medium and longer term.

Growth ahead of GDP over the business cycle with organic growth enhanced by acquisitions

Over the last four years, ongoing sales from the Electronics division, which now account for 88% of Group sales (2011/12: 79% of Group sales), have grown by 21% CAGR though a combination of organic growth and acquisitions.

Our customers' offerings often rely on differentiated technological products as key drivers of their new product innovation. Technology therefore continues to be adopted into industrial markets, driving Electronic market growth ahead of GDP.

Whilst the volume of demand in the Electronics market has reduced over the last two years as a consequence of reduced macro-economic activity, our level of new project opportunities has continued to rise. This is due to our differentiated approach to supporting customers, as well as the growing success of the new suppliers and products that have been engaged. When economic confidence returns, we expect volume demand to increase and drive market growth at rates well ahead of GDP growth.

Our market share gains have continued to improve during the recent economic downturn. We put this down to two factors. Firstly, growing customer and supplier awareness of our differentiated offer, and secondly because niche product demand is less cyclical than that of commodity products.

Develop and maintain attractive margins

The underlying operating margin has remained constant with last year at 3.1% (EBITDA 4.0%), despite the challenging market conditions and lower volumes.

Our objective remains to achieve a 5% underlying operating margin over the business cycle through a combination of sales growth from increasing market share and demand volumes, further improvements in operating efficiency and continuing robust gross margins.

As evidenced by the current results, the Group continues to develop a flexible cost base in order to optimise its operating margin and to ensure the business is well positioned to benefit from enhanced profitability when volumes return.

Enhance growth through acquisitions

Acquisitions play an important role in developing the long term performance of the Group. Five businesses have been acquired over the last four years (Myrra Group being the most recent, completed in April 2013), bringing the total acquisition spend to over £30m. This year, the acquisitions have generated a pre-tax return on investment (including acquisition and integration costs) of 24%.

We look to acquire businesses that provide complementary products and/or geographic coverage, as well as enabling efficiency

improvements through operational integration, where appropriate, and which have attractive growth prospects.

As part of the Acal Group, acquired companies gain access to around 25,000 potential customers across Europe as well as a sales, marketing and engineering workforce, through which to cross-sell each others' products. For single country businesses, being part of Acal provides access to international facilities and an established platform for their expansion.

Develop healthy cash flow to fund future growth and dividends

The Group targets free cash flow in excess of 60% of underlying operating profit, and dividend cover of between two and three times over the cycle.

Free cash flow this year was £7.7m (112% of underlying operating profit) and £30.1m for the last four years (139% of underlying operating profit for that period).

Create strong returns on trading capital employed ("ROTCE")

ROTCE (defined as underlying operating profit as a percentage of net operating assets) was 24.0% for the current financial year, an increase of 2.4ppts over last year. The Group targets ROTCE of 25% in the medium term.

Deliver value growth for shareholders

Total shareholder return ("TSR") is targeted to be above the median, and preferably within the upper quartile of constituents of the FTSE small cap index. In the three year period to 31st March 2013, TSR grew by 69%, being in the upper 30th percentile performance ranking when compared with the FTSE small cap index.

Group Strategy

To deliver these objectives, Acal's strategy is to build a high performance Electronics group operating in multiple specialist sectors.

The Group will continue to develop both the Electronics supply & manufacturing, and distribution businesses, which have in common niche product characteristics and a broad industrial customer base.

Similar markets and opportunities exist outside Europe, and to the extent that they offer attractive prospects, provide opportunities for further geographic expansion through acquisition.

Our strategy is therefore:

i) Organic sales growth ahead of market;
- Cross-selling
- Product range expansion
- Custom Services
- Customer acquisition via the new web platform

ii) Create a multi channel environment with the web;
- Supported by Custom Services

iii) Efficiency improvements;

iv) Value enhancing acquisitions;
- Electronics supply, manufacture and distribution
- Expand into new territories.

Operating Performance

Group underlying operating profit was £6.9m, representing a 9% reduction over the prior year at constant exchange rates. This reduction was due to the weak economic and market conditions throughout Europe and the subsequent lower production volumes, which resulted in a 12% decline in Group revenue at constant exchange rates, or a 5% fall in relation to ongoing sales (which exclude the UK Parts disposal and the non-specialist discontinuations announced last year).

The underlying operating margin remained at 3.1% of revenues comprising an increase of 0.8ppts in gross margin to 31.0% and a sustained reduction in underlying operating expenses of 10%. The second half saw the underlying operating margin increase to 3.4%, representing further improvement over prior periods.

Divisional performance

	2012/13			2011/12			
	Revenue £m	**Underlying operating profit [1] £m**	**Margin %**	Revenue £m	Underlying operating profit £m	Margin %	CER ongoing revenue growth [2]
Electronics	**177.4**	**9.5**	**5.4%**	207.1	10.8	5.2%	-6%
Supply Chain	**41.8**	**1.4**	**3.3%**	50.7	1.3	2.6%	-2%
Unallocated costs	**-**	**(4.0)**		-	(4.0)		
	219.2	**6.9**	**3.1%**	257.8	8.1	3.1%	-5%

1. Underlying operating profit excludes exceptional items and amortisation of acquired intangible assets
2. Ongoing revenue growth excludes revenues from the UK Parts business and discontinued non-specialist products as announced last year.

Electronics division

The Electronics division supplies, designs and manufactures specialist electronic products to industrial manufacturing and design companies across a broad range of market sectors.

The divisional underlying operating margin increased to 5.4%, despite an anticipated fall in sales due to market conditions, through higher gross margins (up 0.6ppts) and reduced operating costs (down 9% at constant exchange rates).

a) Orders

Orders returned to growth in the second half of the year, being 9% higher than the first half and 5% higher than the prior year. The second half book to bill ratio also returned to positive territory, being at its highest level for two years at 1.03:1. For the year as a whole, ongoing orders were the same as last year.

The recovery in orders in the second half was led by Germany (+18% compared with the prior year), France (+16%) and the Nordic region (+6%). Spanish orders remained soft (-23%) whilst other territories were at a similar level to last year.

b) Revenues

Electronics revenues in the second half were 3% higher than the first half at constant exchange rates, although 7% lower than the prior year. This represents an improvement over the first half decline of 15% as we pass through the bottom of the economic cycle. Excluding non-specialist discontinuations, second half revenues declined by only 3% year on year.

For the year as a whole, revenues were 11% lower at constant exchange rates. Of this, 4% related to the general economic downturn in Europe, 2% related to significant sales weakening in Spain and 5% related to the discontinued non-specialist products.

i) The market environment remained weaker than the previous year throughout the period. PMI manufacturing indices are a useful barometer for the industrial markets that Acal sells into. The average European manufacturing PMI reduced from 58 at the start of the last financial year to an average of 50 throughout last year. This year the index has remained below 50 all year (where above 50 is indicative of growth) and averaged 46. This fall in manufacturing demand led to a 4% decline in reported revenues (excluding Spain). This compares favourably with the IDEA index for European distribution of electronic components (excluding Spain) which showed that average European electronics sales fell by 11% during the same period, and is a reflection of the increasingly specialist nature of the products being sold by the Group.

ii) Trading in Spain, which represents less than 3% of Group sales for the year, continued to weaken with sales declining by 37% from last year at constant exchange rates. Unlike other divisional territories, the Spanish business generates a high proportion of its sales from domestic Spanish demand and infrastructure projects. These have reduced significantly due to the economic difficulties in the country. During the year, orders and revenues in Spain improved with orders and revenue up 18% and 14% respectively in the second half compared with the first half, and with a book to bill ratio of 1.01:1. Operating expenses have been reduced by 31% from last year.

iii) As reported last year, the business enhanced its focus on higher margin, specialist products by discontinuing lower margin, non-specialist products towards the end of the first half last year. We reported at the time that the impact on this financial year would be a revenue loss of £11m compared with last year, equivalent to 5% of sales. £7.1m of this loss materialised in this first half (6% of sales) and £3.9m in the second half (4% of sales).

c) Gross profit

Divisional gross margin increased by 0.6ppts during the period being a reflection of the continuing development of more highly differentiated specialist products and solution sales. This is the fourth consecutive year of gross margin growth. Excluding the effects of discontinued products and foreign exchange, gross profit was down only 4%.

d) Operating expenses

Last year, in response to weaker market conditions since the end of H1 2011/12, the Group announced and implemented a reduction in Electronics operating costs through the following initiatives:

i) Accelerated integration of Electronics sales and marketing teams in preparation for a single brand Electronics web launch;

ii) Headcount reductions in Electronics associated with the discontinuation of non-specialist products;

iii) Rationalisation of the Spanish Electronics operation;

This programme contributed to underlying operating expenses in the Electronics division reducing by 10% year on year at constant exchange rates.

Exceptional costs within the year associated with the cost reduction programme were £1.0m, £0.3m less than originally projected.

e) Underlying operating profit and margin

Underlying operating margin was up 0.2ppts to 5.4% despite the reduction in revenues, through both gross margin improvements and cost reductions. Underlying operating profit of £9.5m was £1.3m lower than last year (£0.9m lower at constant exchange rates). Second half underlying operating profits of £5.0m (same as last year at constant exchange rates) were up £0.5m on first half profits of £4.5m (£0.9m less than last year at constant exchange rates) with underlying operating margin increasing from 5.2% to 5.5%.

f) New website

In January 2013, the new web platform was launched in the UK, followed by launches in Germany, France, Netherlands, Belgium and Sweden in March, and Italy and Spain in April.

This platform creates a new marketing channel through which to reach and communicate with both existing and new customers.

Customer research has shown that the way customers interact with suppliers has changed, as have their requirements. Unsurprisingly, the prevalence of freely available information via the web has led to customers generally engaging with their suppliers later in the creation and design process. This, coupled with the increasing numbers of companies that use electronics, has made the existing long established routes insufficient alone and less economical.

By developing the new website, Acal has created a marketing platform with which to display (down to attribute level) the full range of over 100,000 Acal products and services, and which is optimised for visibility on web search engines. Customers are able to find more information on Acal products than before, finding information relevant to them for their project. Importantly they are now increasingly able to interact with Acal in a manner they choose, with technical and commercial support available via the web, the phone or face to face. No longer will there be a one-size-fits-all approach to serving customers.

The web operates under one brand, combining Acal Technology, BFi Optilas and Compotron into Acal BFi, with the products and services of supply and manufacture Group companies, MTC, Hectronic and Stortech visible. In addition to the range of products, the web prominently displays the full range of custom service capabilities, as well as technology solutions and applications. The new brand Acal BFi has been supported by a marketing campaign which started in April 2013.

The web platform is integrated into the existing software systems so that new enquiries received via the web become visible in the customer relationship management (CRM) system, as well as being ready for transactions in the main system. We expect that this integrated system will reduce manual processing and lead to increased operational capacity and efficiency.

g) Custom Service capabilities

Custom Service centres provide engineering and manufacturing capabilities that assist customers with a range of design, manufacture, assembly, testing, repair and calibration services.

There are four such service centres across Europe; two in Germany, one in France, and one in the UK. This year, the UK facility was upgraded with the creation of additional capacity as announced in April 2013. Custom Service Centres provide three capability elements;

i) Design services
Offering design, development, prototyping and pre-testing for statutory approvals

ii) Assembly services
Offering manufacturing, assembly, configuration and on-site installation capabilities

iii) Lifecycle support
Offering upgrades, repair and maintenance, 'future proof' management and statutory approval testing.

The acquisition of Myrra brings custom development and production capabilities in magnetic products to the Group, furthering Acal's existing design capabilities in this technology. Design centres in France and China are able to translate a customer enquiry into a full custom technology solution, as well as being able to manufacture prototype and production quantities in house.

h) IT system upgrade

Acal has been operating the JD Edwards Oracle ERP system in the Acal Electronics business for 12 years and has provided a highly capable infrastructure upon which to run the business as well as to accommodate the acquisition of BFi Optilas in 2009.

With the current platform having reached the end of its supplier supported life, an upgrade is planned to complete in the second half of FY 2013/14 which will provide a platform for the foreseeable future as well as improvements to the operational capability of the system.

The upgrade is expected to cost £0.7m which will be capitalised and amortised over the expected life of the system.

Acquisition of Myrra Group

On 8 March 2013, the acquisition of Myrra Group was announced and successfully completed on 4 April 2013. Myrra designs and manufactures custom electronic magnetic products for industrial customers. As with Hectronic and MTC acquired last year, Myrra designs and manufactures, both itself and using third party contractors, customer specific products and solutions around their core technology. Myrra's customer base overlaps with the Acal BFi distribution business and similarly offers a high proportion of custom product development with approximately 70% 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 Chinese facility furtherincreases our capabilities in Asia and could serve as a platform for further expansion.

Our strategy remains to acquire both distribution and design & manufacturing businesses that supply the common base with niche electronics products.

Supply Chain division

The Supply Chain division provides IT inventory management and parts service to IT service providers. In January 2013, the Group completed the disposal of its loss making UK Parts business to its management team. This disposal was a related party transaction and received shareholder approval on 3 January 2013. Further information on this disposal is included in Note 11 of the Preliminary Statements.

The remaining businesses are EAF Germany GmbH ("EAF") and Acal Enterprise Solutions Limited ("AES"). EAF is a European IT parts management and repair services business, while AES provides spares and support services to IT service providers for mid-range and

mainframe computer systems.

Compared with last year, reported revenues of the division declined £8.9m to £41.8m, or down only 2% (£0.4m) at constant exchange rates and excluding the UK Parts business. Both remaining businesses saw revenues reduce by a similar level. Second half sales in the remaining businesses increased by 5% over the first half.

Underlying operating profit for the year was up £0.1m to £1.4m principally due to the sale of the loss making UK Parts business, which helped increase underlying operating margin by 0.7ppts to 3.3%.

Summary and Outlook

The Group has performed well in challenging markets, increasing market share and gross margins and generating strong cash flow. Further, the increased flexibility of our cost base has minimised the impact of lower volumes on earnings.

Second half trading improved noticeably with Electronics orders increasing 9% over the first half and 5% over the prior year.

Our strategy of providing specialist electronic products and solutions to industrial customers continues to make good progress as we build a differentiated industrial electronics group. Our acquisitions are performing well bringing both new customers and opportunities to the Group. Myrra, our latest acquisition, is performing as expected, adding to our manufacturing capabilities and providing access to new regions.

The new year has started well. Both the base Electronics business and the acquired Myrra Group are performing as expected, with combined orders in April and May being 19% higher than the Group reported last year and 7% higher excluding Myrra. Whilst market conditions are still challenging, they have stabilised and are showing some early indications of improvement. As such, we are cautious but optimistic for the future. The Board is confident that through a combination of organic and acquisitive development, Acal will deliver performance ahead of the wider market.

Nick Jefferies

4th June 2013

FINANCE REVIEW

Revenues - gaining share in challenging environment

Group revenue for the year was £219.2m, 12% below last year at constant exchange rates (2011/12: £257.8m) of which 7% related to planned reductions and 5% to European market conditions which were more challenging than last year.

In terms of planned reductions, 5% relates to the discontinuance of non specialist Electronics products announced last year (£11.0m sales included in last year's revenue). The other 2% relates to the disposal of the UK Parts business in January. Further analysis is given in the Operating Review.

Group ongoing revenue of £202.7m (being reported revenue excluding discontinued non-specialist products and UK Parts) was down 5%. Ongoing revenues comprise Electronics at £177.4m (ongoing revenue down 4% excluding Spain) and the remaining Supply Chain division with ongoing revenue of £25.3m, down 2%. External market data produced by the International Distribution of Electronics Association ("IDEA") reported that European sales for this financial year declined by 11% (excluding Spain); Acal's Electronics division has therefore continued to gain market share.

Second half reported Group revenue was £109.4m compared with £109.8m in the first half. Excluding UK Parts, second half ongoing revenue was £104.1m, up 3% on first half at constant exchange rates.

Further gross margin improvement

The Group's continued focus on specialisation saw gross margins improve further during the year by 0.8ppts to 31.0% partially offsetting the shortfall in Group revenues. Group reported gross profit for the year was £67.9m (2011/12: £77.9m) down 10% at constant exchange rates (compared with Group revenue down 12%). Ongoing gross profit (excluding UK Parts and discontinued sales) was down 4% (compared with ongoing revenue down 5%).

Gross margins for the second half were 30.7%, 0.5ppts below the first half due primarily to product sales mix.

Maintaining a tight cost base

Underlying operating costs of £61.0m were down 10% at constant exchange rates. Adjusted for acquisitions and disposals, costs were down 8%.

Key to this reduction has been a continued tight control of the cost base together with the impact of restructuring initiatives taken last year. The Company took immediate action on seeing the economic downturn start to take effect during summer 2011 which has benefited this year.

Second half underlying operating costs of £29.9m were £4.6m less than last year, being 13% less on a reported basis and 8% less on a like for like basis. First half underlying operating costs of £31.1m were £4.3m below last year, being 12% less on a reported basis and 9% less on a like for like basis. Second half operating costs were £1.2m or 4% below first half operating costs and flat on a like for like basis.

Exceptional items

Exceptional items for the year totalled £3.1m (2011/12: £3.4m) of which £1.0m related to restructuring costs in the Electronics division announced last year (£0.3m less than originally estimated).

A further £1.2m related to the cost of designing and developing the new Acal BFi web marketing platform within the Electronics division. This was also announced last year and total costs were in line with first half estimates. The website was first launched in the UK at the end of

January 2013 and has since been launched in all of the division's other European territories. As planned and previously communicated, the costs associated with running and maintaining the website from launch are being treated as underlying operating expenses (of which £0.2m was included within underlying operating expenses this year).

Other exceptional items this year totalled £0.9m, principally being the costs associated with the acquisition of the Myrra Group (£0.6m) and the costs of integrating Compotron (acquired in January 2011) into the Acal BFi organisational and operational structure, as announced at the half year.

Including the above exceptional items of £3.1m (2011/12: £3.4m) and amortisation of acquired intangibles of £0.8m (2011/12: £0.8m), overall operating costs reduced by 12% to £64.9m, down £9.1m from last year.

Operating margin maintained

Underlying operating profit for the year was £6.9m, down 9% on last year at constant exchange rates (2011/12: £8.1m), delivering an underlying operating margin of 3.1% in line with last year.

Second half underlying operating profit of £3.7m was down 4% on last year at constant exchange rates. Second half operating margin was up 0.2ppts to 3.4% (H2 2011/12: 3.2%).

First half underlying operating profit of £3.2m was down 14% on last year at constant exchange rates. First half operating margin of 2.9% was down 0.2ppts from last year (H1 2011/12: 3.1%). The larger shortfall in the first half arose because of much stronger comparatives in the previous year which largely preceded the impact of last year's economic downturn.

Compared with the first half, second half underlying operating profits were up £0.5m with the associated operating margin up 0.5ppts.

Reported operating profits for the year (including exceptional items of £3.1m and amortisation on acquired intangibles of £0.8m) were £3.0m, down £0.9m compared with last year (2011/12: £3.9m).

Reduced finance costs reflecting strong cash flow

Net finance costs for the year of £1.0m (2011/12: £1.2m) comprised a net interest charge of £0.6m and an IAS 19 pension finance charge of £0.4m relating to the Group's legacy defined benefit pension scheme.

The net interest charge of £0.6m comprises interest and facility fees arising from the operation of the Group's committed and uncommitted facilities. Net interest charges were down £0.3m from last year (2011/12: £0.9m) due to lower average gross debt balances throughout the period driven by strong free cash flow and improved cash management processes.

The IAS 19 pension charge was £0.4m for the year, an increase of £0.1m over last year. Next year, changes to IAS 19 are expected to result in an increase in costs within the income statement of £0.5m. These changes do not impact the ongoing cash funding of the scheme.

Underlying tax rate remains low

The underlying effective tax rate at 17% of underlying profit before tax of £6.3m was lower than the UK tax rate of 24% mainly due to the utilisation of tax losses in certain territories which are now profitable. This compares favourably with an underlying effective rate in 2011/12 of 18% due to the increased use of unrecognised tax losses. At the year end, the Group had approximately £16m of tax losses covering certain territories.

The overall effective tax rate was 42% of the loss before tax of £3.1m (2011/12: 22%). This rate is higher than the underlying effective tax rate due to the tax impact of exceptional items.

Earnings

Underlying profit before tax for the year of £6.3m, while down £0.9m on a reported basis against last year (2011/12: £7.2m), was down only £0.4m at constant exchange rates benefiting from the reduced financing costs. Together with the improved underlying tax rate, underlying diluted earnings per share for the year were 17.5 pence, down 2.4 pence on last year's reported rate (2011/12: 19.9 pence) and 1.1 pence down at constant exchange rates.

Underlying earnings per share of 9.3 pence in the second half were 13% higher than the first half performance of 8.2 pence per share.

Underlying adjustments comprise exceptional items of £3.1m, amortisation of acquired intangibles of £0.8m, loss on disposal of the UK Parts business of £5.1m and IAS19 interest on the legacy pension fund of £0.4m. Including these underlying adjustments, there was an overall loss per share of 6.3 pence (2011/12: diluted earnings per share of 7.1 pence).

Dividend growth

For the year ended 31 March 2013, the Board has recommended a final dividend of 6.0 pence per share (H2 2011/12: 5.5 pence per share), an increase of 9%. An interim dividend of 2.5 pence per share was paid in January 2013 (H1 2011/12: 2.5 pence per share), making the total dividend for the year 8.5 pence per share (2011/12: 8.0 pence per share), an increase of 6%. The dividend is payable on 31 July 2013 to shareholders on the register as at 14 June 2013.

The dividend has been increased by 21% in the last 3 years.

Acquisition strategy continues

On 4 April 2013, Acal completed the acquisition of 100% of Myrra SAS, for an initial cash payment of €9.5m (£8.1m). Funding for the acquisition was in place before the year end and comprised net proceeds from an equity placing of £5.7m and a new three year debt facility of £8.0m. The costs associated with the acquisition of £0.6m have been treated as an exceptional cost. Funding costs totalled £0.7m, of which £0.4m has been netted from the gross proceeds of the equity placing and £0.3m will be amortised through finance costs over the three year period of the new debt facility.

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 2015/16 to the Myrra management team subject to the achievement of certain earnings based performance criteria.

Disposal of non core assets

On 3 January 2013, the Group completed the sale of its non core, loss-making UK Parts business (part of the Supply Chain division) for net proceeds of £1.5m (or £2.0m on a debt free basis) giving rise to a loss on disposal of £5.1m. Together with losses of the business for the 9 months up to the date of disposal of £0.6m, the overall loss for the year from the UK Parts business was £5.7m.

Revenue from UK Parts this year was £16.4m for the 9 month period until disposal (2011/12: £22.7m).

Working capital improvements continue

Working capital was at 11.6% of annualised second half ongoing sales (2011/12: 12.0%) with working capital reducing by £8.2m to £23.5m. This was achieved partly through the disposal of the UK Parts business, a more resource intensive business than Electronics. Additionally, further efficiency gains were made in inventory management with Group inventory turns improving by 0.5 to 8.1 (2011/12: 7.6). Trade debtors were at 51 days, marginally higher than last year (FY 2011/12: 50 days) due to territory mix, while trade creditors outstanding at the year end were 50 days (FY 2011/12: 49 days).

Levels of working capital have reduced significantly in the last four years improving from 15.6% of second half sales in 2009 to 11.6% this year, a 26% improvement. This represents £8.1m of cash generation over that period.

Strong free cash flow generation

Underlying EBITDA generated in the year was £8.7m (FY 2011/12: £10.2m) being underlying operating profit of £6.9m adjusted for key non-cash items of £1.8m comprising depreciation of £1.0m, amortisation (excluding amortisation on acquired intangible assets) of £0.2m and share based payment charge of £0.6m.

Improvements to working capital gave rise to a working capital movement of £4.2m (of which £1.9m related to exceptional items) (FY2011/12: £3.6m). Capital expenditure totalled £1.3m in line with last year. Net interest payments reduced from £0.9m last year to £0.6m reflecting lower gross debt levels throughout the year. Tax payments totalled £1.4m (2011/12: £1.1m), principally comprising payments in Germany and South Africa. Other territories still benefit from the utilisation of brought forward tax losses.

Taking into account the cash impact of pre exceptional working capital of £2.3m, interest and tax, free cash flow totalled £7.7m (2011/12: £10.5m). This amounts to 112% of underlying operating profit which is significantly ahead of our target free cash flow rate of 60% of underlying operating profit over the cycle. We expect this level of cash generation to reduce as sales increase with the resulting requirement for additional working capital.

Exceptional cash payments in the period totalled £3.6m (2011/12: £3.9m), partly included within working capital as mentioned above, and partly within provisions. These related mainly to the cost reduction programme announced last year and the development cost of Acal BFi's new marketing web platform. A further £1.6m of exceptional cash payments are due next year in relation to previously accrued exceptional costs including the costs associated with the acquisition of Myrra. Payments made to the legacy defined benefit scheme increased to £1.5m (2011/12: £0.7m) in line with the payment plan agreed with the pension fund trustees in 2009.

The Group invested £2.0m of its free cash flow into the payment of acquisition earn-outs. In January 2013, an earn-out payment of €0.7m (£0.6m) was paid to the management of MTC. Compotron management exceeded their performance target and accordingly received a maximum payout of €1.7m (£1.4m) in March 2013. Additionally, the Group generated £1.5m of net cash proceeds from the sale of its UK Parts business. The dividend paid for the year totalled £2.3m (2011/12: £2.2m).

Prior to the equity placing, there was a small net cash outflow of £0.2m for the year (2011/12: £0.3m net cash outflow) giving a net cash balance at the year end before equity placing of £6.1m. Net equity of £5.7m was raised in March 2013, partially to fund the acquisition of the Myrra Group, lifting the year end net cash balance to £11.8m (FY 2011/12: £6.3m). €9.5m (£8.1m) of cash was used to fund the acquisition cost of Myrra shortly after the year end.

Committed funding strengthened

In addition to the year end net cash balance of £11.8m, the Group also had access to £22.2m of committed facilities (2011/12: £18.4m) comprising:

i) Committed working capital facilities of £14.2m which the Group requires from time to time to fund inter-month outflows of working capital. Such outflows resulted in a net average cash balance across the final quarter of the financial year of £1.0m.

ii) A new three year committed debt facility of £8.0m to help fund the Myrra acquisition.

The Group also had access at the year end to uncommitted working capital facilities of £12.7m.

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 2013 (31 March 2012: £29.8m). Scheme liabilities under IAS19 were valued by the actuaries at £37.2m (31 March 2012: £35.5m). The growth in scheme asset values driven by strengthening equity valuations during the year was offset by an increase in scheme liabilities caused by changes in actuarial assumptions. The net deficit at 31 March 2013 was £5.8m (31 March 2012: £5.7m). Additionally, a related deferred tax liability of £0.7m (31 March 2012: £0.8m) is included under pension liabilities taking the total liability to £6.5m (31 March 2012: £6.5m). Further details are given in Note 16 of the Preliminary Statements.

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

Net assets

Net assets at 31 March 2013 of £51.5m were £2.4m greater than the net assets at the end of last year (31 March 2012: £49.1m). This increase is due to the net equity raising of £5.7m, share-based payments of £0.6m plus associated deferred tax credit of £0.3m and the translational movement on currency net assets of £0.8m being partially offset by net losses after tax for the year of £1.8m, dividends paid in the year of £2.3m and an actuarial loss on the defined benefit pension scheme of £0.9m.

Risks and uncertainties

The global economy remains vulnerable to major shocks such as a further banking crisis or sovereign debt defaults. As a result, the exposure of the Group's sales and profits to worsening global economic conditions remains a principal risk.

There have been no material changes to the following other principal risks and uncertainties impacting the Group's performance which will be set out in detail in the 2013 Annual Report.

- Commercial risks - including business acquisition risk and business disruption risk including major damage to premises, loss of IT systems and loss of key personnel;
- Financial risks - including liquidity, foreign currency, retirement benefits and funding.

The Group is well positioned to manage exposure to such risks and uncertainties if they arise with its strong balance sheet and committed facilities position at the end of the period.

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
4th June 2013

Consolidated income statement
Year ended 31 March 2013

	notes	2013 £m	2012 £m
Revenue	6	**219.2**	257.8
Cost of sales		**(151.3)**	(179.9)
Gross profit		**67.9**	77.9
Selling and distribution costs		**(37.7)**	(41.1)
Administrative expenses (including exceptional items)	7	**(27.2)**	(32.9)
Operating profit	6	**3.0**	3.9
Finance revenue		**0.2**	0.2
Finance costs		**(1.2)**	(1.4)
Loss on disposal of UK Parts business	11	**(5.1)**	-
Profit before tax:			
Before loss on disposal of UK Parts business		**2.0**	2.7
Loss on disposal of UK Parts business	11	**(5.1)**	-
(Loss)/profit before tax:		**(3.1)**	2.7
Tax credit/(expense)		**1.3**	(0.6)
(Loss)/profit for the year		**(1.8)**	2.1

(Loss)/Earnings per share	9		
Basic		**(6.3)p**	7.4p
Diluted		**(6.3)p**	7.1p

Supplementary income statement information

Underlying Performance Measure

		2013 £m	2012 £m
Operating profit		**3.0**	3.9
Add: Exceptional items	7	**3.1**	3.4
Amortisation of acquired intangible assets		**0.8**	0.8

Underlying operating profit		**6.9**	8.1
(Loss)/profit before tax		**(3.1)**	2.7
Add: Exceptional items	7	**3.1**	3.4
Loss on disposal of UK Parts business	11	**5.1**	-
Amortisation of acquired intangible assets		**0.8**	0.8
IAS 19 charge for pension finance cost		**0.4**	0.3
Underlying profit before tax		**6.3**	7.2
Underlying earnings per share	9		
Basic		**18.2p**	20.7p
Diluted		**17.5p**	19.9p

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

Consolidated statement of comprehensive income
for the year ended 31 March 2013

	notes	**2013 £m**	2012 £m
(Loss)/profit for the year		**(1.8)**	2.1
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme		**(1.1)**	(1.3)
Deferred tax relating to the defined benefit pension scheme		**0.2**	0.2
Exchange differences on retranslation of foreign subsidiaries		**0.8**	(1.6)
Other comprehensive income for the year net of tax		**(0.1)**	(2.7)
Total comprehensive income for the year net of tax		**(1.9)**	(0.6)

Consolidated statement of financial position
at 31 March 2013

	notes	**2013 £m**	2012 £m
Non-current assets			
Property, plant and equipment		**3.1**	3.5
Intangible assets - goodwill	14	**21.0**	21.6
Intangible assets - other		**3.2**	4.1
Deferred tax assets		**3.6**	3.3
		30.9	32.5
Current assets			
Inventories		**19.3**	25.7
Trade and other receivables		**44.7**	49.4
Cash and cash equivalents	13	**17.8**	12.3
		81.8	87.4
Total assets		**112.7**	119.9
Current liabilities			

Trade and other payables		**(42.5)**	(45.4)
Other financial liabilities	13	**(4.3)**	(5.2)
Current tax liabilities		**(2.4)**	(4.2)
Provisions		**(1.7)**	(4.6)
		(50.9)	(59.4)
Non-current liabilities			
Other financial liabilities	13	**(1.7)**	(0.8)
Pension liability	16	**(6.5)**	(6.5)
Provisions		**(1.4)**	(3.1)
Deferred tax liabilities		**(0.7)**	(1.0)
		(10.3)	(11.4)
Total liabilities		**(61.2)**	(70.8)
Net assets		**51.5**	49.1
Equity			
Share capital	15	**1.6**	1.4
Share premium		**40.7**	40.7
Other reserve	15	**5.5**	-
Merger reserve		**3.0**	3.0
Currency translation reserve		**2.0**	1.2
Retained earnings		**(1.3)**	2.8
Total equity		**51.5**	49.1

These financial statements were approved by the Board of Directors on 4th June 2013 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 2013

	Share capital	Share premium	Other reserve	Merger reserve	Currency translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2011	**1.4**	**40.7**	**-**	**3.0**	**2.8**	**3.4**	**51.3**
Profit for the year	-	-	-	-	-	2.1	2.1
Other comprehensive income	-	-	-	-	(1.6)	(1.1)	(2.7)
Total comprehensive income	-	-	-	-	(1.6)	1.0	(0.6)
Share based payment transactions including tax	-	-	-	-	-	0.6	0.6
Equity dividends	-	-	-	-	-	(2.2)	(2.2)
At 31 March 2012	**1.4**	**40.7**	**-**	**3.0**	**1.2**	**2.8**	**49.1**
Loss for the year	-	-	-	-	-	(1.8)	(1.8)
Other comprehensive income	-	-	-	-	0.8	(0.9)	(0.1)
Total comprehensive income	-	-	-	-	0.8	(2.7)	(1.9)
Shares issued	0.2	-	5.9	-	-	-	6.1
Share issue costs	-	-	(0.4)	-	-	-	(0.4)
Share based payment transactions including tax	-	-	-	-	-	0.9	0.9

Equity dividends	-	-		-	-	(2.3)	(2.3)
At 31 March 2013	**1.6**	**40.7**	**5.5**	**3.0**	**2.0**	**(1.3)**	**51.5**

Other reserve

The other reserve arose as a consequence of the placing of 2,816,704 new ordinary shares during the year**.** 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. Further details are provided in note 15.

Consolidated statement of cash flows
for the year ended 31 March 2013

	notes	**2013 £m**	2012 £m
Net cash flow from operating activities	12	**3.7**	6.9
Investing activities			
Acquisition of shares in subsidiaries		**-**	(4.0)
Payment of contingent consideration	10	**(2.0)**	-
Proceeds from disposal of the UK Parts business (net of disposal costs)	11	**1.5**	-
Purchase of property, plant and equipment		**(1.0)**	(1.0)
Proceeds from disposal of property, plant and equipment and intangible assets		**-**	0.1
Purchase of intangible assets - software		**(0.3)**	(0.3)
Interest received		**0.2**	0.2
Net cash used in investing activities		**(1.6)**	(5.0)
Financing activities			
Net proceeds from issue of shares	15	**5.7**	-
Proceeds from borrowings		**1.7**	-
Repayment of borrowings		**(0.9)**	(0.9)
Dividends paid	8	**(2.3)**	(2.2)
Net cash from/(used in) financing activities		**4.2**	(3.1)
Net increase/(decrease) in cash and cash equivalents		**6.3**	(1.2)
Cash and cash equivalents at 1 April		**7.9**	9.4
Effect of exchange rate fluctuations		**0.2**	(0.3)
Cash and cash equivalents at 31 March		**14.4**	7.9
Reconciliation to cash and cash equivalents in the consolidated statement of financial position			
Cash and cash equivalents shown above		**14.4**	7.9
Add back overdrafts		**3.4**	4.4
Cash and cash equivalents presented in current assets in the consolidated statement of financial position		**17.8**	12.3

ACAL plc

Notes to the preliminary statement
for the year ended 31 March 2013

1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 4 June 2013. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies whereas those for 2013 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.

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 Chief Executive's Operating Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review.

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 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.

The following new standards, amendments to standards or interpretations are mandatory for the first time for this financial year. They are not relevant or do not have a material effect on the Group's financial statements:

International Accounting Standards (IAS/IFRS/IFRIC)		Effective date
IFRS 7	Amendment - Disclosure - Transfers of financial assets	1 July 2011
IAS 12 (A)	Amendment to IAS 12 - Recovery of underlying assets	1 January 2012
	Improvements to IFRS (issued May 2010)	Various

5. Underlying Performance Measures

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 excluding exceptional items and amortisation of acquired intangible assets.

Underlying profit before tax

"Underlying profit before tax" is defined as profit before tax excluding exceptional items, amortisation of acquired intangible assets, the loss on disposal of businesses and the IAS 19 pension finance charge relating to the Group's legacy defined benefit pension scheme.

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 the total of 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 pension fund, dividend payments, net proceeds from equity issues, 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, means including acquisitions for the whole of the comparative period, except any acquired in the year, excluding any disposals and at constant exchange rates.

6. Segmental reporting

Segmental information is presented in respect of the Group's business segments, which are the primary basis of segmental reporting. This format reflects the Group's management and internal reporting structures. Inter-segment revenue is insignificant.

2013	Electronics £m	Supply Chain* £m	Unallocated £m	Total £m
Revenue	**177.4**	**41.8**	**-**	**219.2**
Result				
Underlying operating profit/(loss)	9.5	1.4	(4.0)	6.9
Exceptional items - restructuring	(1.0)	-	-	(1.0)
Exceptional items - acquisition and related integration costs	(0.9)	-	-	(0.9)
Exceptional items - web development costs	(1.2)	-	-	(1.2)
Amortisation of acquired intangible assets	(0.7)	(0.1)	-	(0.8)
Operating profit/(loss)	**5.7**	**1.3**	**(4.0)**	**3.0**

*The disposal of the UK Parts business, which was included within the Supply Chain segment, resulted in a loss of £5.1m. The UK Parts business generated a net loss before tax of £0.6m (included in the results of the Supply Chain segment) during the year up to the date of completion of the disposal. The total loss for the year therefore attributed to the UK Parts business was £5.7m.

2012	Electronics £m	Supply Chain £m	Unallocated £m	Total £m
Revenue	**207.1**	**50.7**	**-**	**257.8**
Result				
Underlying operating profit/(loss)	10.8	1.3	(4.0)	8.1
Exceptional items - restructuring	(1.8)	(0.4)	-	(2.2)
Exceptional items - acquisition and related integration costs	(0.7)	-	-	(0.7)
Exceptional items - disposal costs	-	(0.2)	-	(0.2)
Exceptional items - web development costs	(0.3)	-	-	(0.3)
Amortisation of acquired intangible assets	(0.7)	(0.1)	-	(0.8)
Operating profit/(loss)	**7.3**	**0.6**	**(4.0)**	**3.9**

Geographical analysis of revenue by destination

	2013 £m	2012 £m
UK	**57.1**	72.5
Europe	**149.7**	174.9
Rest of the World	**12.4**	10.4
	219.2	257.8

7. Exceptional items

		2013 £m	2012 £m
Electronics restructuring costs	(a)	**(1.0)**	(1.8)
Supply Chain and other restructuring costs	(b)	**-**	(0.4)
Acquisition and related integration restructuring costs	(c)	**(0.9)**	(0.7)
Disposal costs	(d)	**-**	(0.2)
Web development	(e)	**(1.2)**	(0.3)
Net exceptional costs (included within administrative expenses)		**(3.1)**	(3.4)

a) Electronics restructuring comprises (i) redundancy costs of £1.1m relating to restructuring programme announced last year and (ii) £0.1m release of provisions in respect of onerous property costs.

b) Supply Chain restructuring costs arose in the prior year on the reduction of staff in the UK.

c) On 4 April 2013, subsequent to the year-end, the Group completed the acquisition of 100% of the share capital and voting equity interests of Aramys SAS ("Aramys" or "the Myrra Group") (full details are provided in note 17). Transaction costs of £0.6m relating to the acquisition have been expensed as incurred. £0.3m relate to other acquisition and related integration costs.

d) Disposal costs in the prior year relate to the disposal of the loss making Retail sector operation in the Supply Chain operating segment to a third party for a nominal consideration.

e) The costs associated with building and developing the new Electronics web platform until the date of launch at the end of January 2013 have been treated as exceptional. These costs for this year totalled £1.2m (2011/12: £0.3m) 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 totalling £0.2m since launch for this year.

8. Dividends

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

	2013 £m	2012 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2012 of 5.5p (2011: 5.14p)	**1.6**	1.5
Interim dividend for the year ended 31 March 2013 of 2.5p (2012: 2.5p)	**0.7**	0.7
Total amounts recognised as equity distributions during the year	**2.3**	2.2

Proposed for approval at AGM:	**2013 £m**	2012 £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

Summary		
Dividends per share declared in respect of the year	**8.50p**	8.00p
Dividends per share paid in the year	**8.00p**	7.64p
Dividends paid in the year	**£2.3m**	£2.2m

9. (Loss)/earnings per share

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

Diluted (loss)/earnings per share is the basic (loss)/earnings 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 (loss)/earnings per share computations:

	2013 £m	2012 £m
(Loss)/earnings for the year attributable to equity holders of the parent	**(1.8)**	2.1

	No	**No**
Weighted average number of shares for basic (loss)/ earnings per share	28,502,950	28,479,804
Effect of dilution - share options	-	1,169,748
Adjusted weighted average number of shares for diluted (loss)/earnings per share	**28,502,950**	**29,649,552**
Basic (loss)/earnings per share	**(6.3)p**	7.4p
Diluted (loss)/earnings per share	**(6.3)p**	7.1p

At the year end there were 2,647,788 ordinary share options in issue that could potentially dilute earnings per share in the future of which nil are currently dilutive (2012: 2,203,282 in issue and 1,169,748 dilutive).

Underlying earnings per share is calculated as follows:

	2013 £m	2012 £m
(Loss)/earnings for the year attributable to equity holders of the parent	**(1.8)**	2.1
Exceptional items	**3.1**	3.4
Loss on disposal of UK Parts business	**5.1**	-
Amortisation of acquired intangible assets	**0.8**	0.8
IAS 19 charge for pension finance cost	**0.4**	0.3
Tax effect of exceptional items, amortisation of acquired intangible assets and IAS 19 charge for pension finance cost	**(0.6)**	-
Tax effect of exceptional items in prior years	**(1.8)**	(0.7)
Underlying earnings	**5.2**	5.9

	No	No
Weighted average number of shares for basic earnings per share	28,502,950	28,479,804
Effect of dilution - share options	1,164,043	1,169,748
Adjusted weighted average number of shares for diluted earnings per share	**29,666,993**	**29,649,552**
Underlying basic earnings per share	18.2p	20.7p
Underlying diluted earnings per share	17.5p	19.9p

At the year end there were 2,647,788 ordinary share options in issue that could potentially dilute earnings per share in the future of which 1,164,043 are currently dilutive (2012: 2,203,282 in issue and 1,169,748 dilutive).

10. Business combinations

During the 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 in relation to acquisition of MTC Micro Tech Components GmbH and its affiliate EMC Innovation Limited in October 2011.

11. 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 received (note 11(a))	1.5
Net assets disposed of (note 11(b))	(6.4)
Transaction costs	(0.2)
Loss on disposal	**(5.1)**

The UK Parts business generated a net loss before tax of £0.6m during the year up to the date of completion of the disposal, which is included within the consolidated income statement. The total loss for the year attributed to the UK Parts business was therefore £5.7m.

11(a) Consideration received

		£m
Gross debt free consideration		2.0
Net debt transferred	(0.2)	
Working capital adjustment		(0.3)
Net cash consideration received		**1.5**

11(b) Net assets and liabilities disposed of

	£m
Intangible asset - goodwill	0.8
Property, plant and equipment	0.3
Intangible assets	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**

11(c) Net cash inflow on disposal

	£m
Cash consideration	1.5
Net debt transferred	0.2
Transaction costs	(0.2)
Net cash inflow on disposal	**1.5**

12. Reconciliation of cash flow from operating activities

	2013 £m	2012 £m

(Loss)/profit for the year		**(1.8)**	2.1
Taxation (credit)/expense	**(1.3)**		0.6
Net finance costs		**1.0**	1.2
Depreciation of property, plant and equipment		**1.0**	1.2
Amortisation of intangible assets - other		**1.0**	1.1
Change in provisions		**(2.4)**	(0.6)
Loss on disposal of business		**5.1**	-
Pension scheme funding		**(1.5)**	(0.7)
Equity-settled share based payment expense		**0.6**	0.6
Operating cash flows before changes in working capital		**1.7**	5.5
Decrease/(increase) in inventories		**3.7**	(0.3)
Decrease in trade and other receivables		**1.5**	9.9
Decrease in trade and other payables		**(1.0)**	(6.0)
Decrease in working capital		**4.2**	3.6
Cash generated from operations		**5.9**	9.1
Interest paid	**(0.8)**		(1.1)
Income taxes paid		**(1.4)**	(1.1)
Net cash flows from operating activities		**3.7**	6.9

13. Reconciliation of movement in cash and net debt

Year to 31 March 2013

	31 March 2012 £m	Cash flow £m	Foreign exchange £m	31 March 2013 £m
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**

Other financial liabilities within current liabilities as at 31 March 2013 of £4.3m comprise overdrafts of £3.4m and bank loans under one year of £0.9m.

Year to 31 March 2012

	31 March 2011 £m	Cash flow £m	Foreign exchange £m	31 March 2012 £m
Cash at bank and in hand	13.6	(1.0)	(0.3)	12.3
Overdrafts	(4.2)	(0.2)	-	(4.4)
Cash and cash equivalents	9.4	(1.2)	(0.3)	7.9
Bank loans under one year	(0.9)	0.1	-	(0.8)
Bank loans over one year	(1.8)	0.8	0.2	(0.8)
Total loan capital	(2.7)	0.9	0.2	(1.6)
Net cash	6.7	(0.3)	(0.1)	6.3

Other financial liabilities within current liabilities as at 31 March 2012 of £5.2m comprise overdrafts of £4.4m and bank loans under one year of £0.8m.

Supplementary information to the statement of cash flows

Underlying Performance Measure

Continuing operations	**2013 £m**	2012 £m
Increase/(decrease) in net cash	**5.5**	(0.3)
Add: Business combinations	**2.0**	4.0
Exceptional cash flow	**3.6**	3.9
Legacy pension scheme funding	**1.5**	0.7
Dividends paid	**2.3**	2.2
Less: Net proceeds from share issue	**(5.7)**	-
Net proceeds from disposal of the UK Parts business	**(1.5)**	-
Free cash flow	**7.7**	10.5

14. Intangible assets - goodwill

Cost	£m
At 1 April 2011	59.5
Acquisition of shares in subsidiaries	4.2
At 31 March 2012	63.7
Disposal of UK Parts business	(0.8)
Exchange and other adjustments	0.2
At 31 March 2013	**63.1**

Impairment	£m
At 31 March 2012 and at 31 March 2013	**(42.1)**
Net book value at 31 March 2013	**21.0**
Net book value at 31 March 2012	21.6

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

The carrying amount of goodwill is analysed as follows:

	2013 £m	2012 £m
Supply Chain		
Acal Enterprise Solutions*	**5.7**	6.5
Electronics		
UK electronics businesses	**6.9**	6.9
Compotron	**5.1**	5.0
Hectronic	**0.7**	0.7
MTC	**2.0**	1.9
Medical	**0.6**	0.6
	21.0	21.6

*Prior year amount included £0.8m of goodwill allocated to the disposed UK Parts business.

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

The recoverable amount of each CGU is based upon value in use calculations and management's view of the recoverable amount. The key assumptions in these calculations relate to future revenue and gross margins. Cash flow forecasts for the 5 year period from the reporting date are based on 2014 budget and management projections thereon. Average annual revenue growth rates between 3% and 10% (2012: between 2% and 13%) have been used depending on size and sector the CGU operates in. Annual growth rates beyond the five-year period are assumed at 2% (2012: 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 cash flow projections is between 15%-17% (2012: 15%-17%).

15. Share capital

Authorised	**2013 Number**	**2013 £m**	2012 Number	2012 £m
Ordinary shares of 5p each	**44,000,000**	**2.2**	44,000,000	2.2

Allotted, called up and fully paid	**2013**		2012	
	Number	**£m**	Number	£m
Ordinary shares of 5p each	**31,295,878**	**1.6**	28,479,804	1.4

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.

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.

16. Pension liability

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.

Based on the funding valuation conducted at December 2009, the funding contribution for the year totalled £1.5m (2012: £0.7m), increasing by 3% per annum for a further 10 years.

The IAS 19 liability at 31 March 2013 was £5.8m (2012: £5.7m) and the IAS 19 pension finance cost for the year was £0.4m (2012: £0.3m). Additionally, a related deferred tax liability of £0.7m (31 March 2012: £0.8m) is included under pension liabilities taking the total liability to £6.5m (31 March 2012: £6.5m).

17. Events after the reporting date

On 4 April 2013, subsequent to the year-end, the Group completed the acquisition of 100% of the share capital and voting equity interests of Aramys SAS ("Aramys" or "the Myrra Group"), for an initial cash consideration of €9.5m (£8.1m) before expenses and subject to certain post completion adjustments, and an earn-out of up to a maximum of €1.8m (£1.5m) based on financial performance over the three year period to 31 December 2015 following completion. The initial cash consideration and related acquisition expenses were met from proceeds of an equity placing of £5.7m (after expenses) and a new debt facility of £8.0m.

The Myrra Group designs and manufactures magnetic electronic products, of which approximately 70 percent 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 acquisition is a further step in the Group's stated strategy and brings a number of benefits including strengthening of the Group's Electronics Division, enhancing the Group's customisation and development capabilities and broadening the Group's geographic profile.

Transaction costs of £0.6m have been expensed as incurred and are presented as exceptional items within administrative expenses (note 7). The attributable costs of the equity issuance of £0.4m have been charged directly to other reserves in equity. The £0.3m costs related to the new debt facility will be amortised over the period of the debt facility.

Due to the timing of the acquisition, the initial accounting of the fair value of consideration, net assets acquired and goodwill has not been completed. The acquisition has no impact on the Group's results for the year other than the transaction costs referred to above.

18. 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 2013		Year to 31 March 2012	
	Closing rate	**Average rate**	Closing rate	Average rate
US dollar	**1.514**	**1.580**	1.602	1.596
Euro	**1.1826**	**1.2274**	1.1992	1.1585

19. Annual Report and Accounts

The Annual Report and Accounts will be mailed to shareholders on or before 20 June 2012. 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 will be available on the company's website: www.acalplc.co.uk.

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