Final Results

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ACAL plc

Preliminary Results for the year ended 31 March 2014

Strong growth; announcement of major acquisition and rights issue

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 2014.

	FY 2013/14			FY2012/13			Continuing Operations
	Continuing Operations	Discontinued Operations[2]	Total	Continuing Operations	Discontinued Operations[2]	Total	Growth
Revenue	£211.6m	£17.9m	£229.5m	£177.4m	£41.8m	£219.2m	+17%[3]
Underlying Operating Profit [1]	£7.1m	£1.3m	£8.4m	£5.5m	£1.4m	£6.9m	+29%
Underlying Profit before Tax[1]	£6.3m	£1.3m	£7.6m	£5.0m	£1.3m	£6.3m	+26%
Underlying Diluted EPS[1]	16.2p	3.6p	19.8p	13.5p	4.0p	17.5p	+20%
Fully Diluted EPS	11.1p	(7.7p)	3.9p	7.1p	(14.0p)	(6.7p)	
Full year Dividend per Share	9.35p			8.50p			+10%

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

Highlights

- Performing ahead of the broader market
- Continuing progress in Electronics
  - Orders up 21% CER[3] and up 4% on a like-for-like[4] basis
  - Sales up 17% CER and up 2% on a like-for-like basis
  - Underlying operating profit (continuing operations) up 29%
  - Free cash flow[5] of £7.3m being 103% of underlying operating profit
  - 37% increase in order book, and up 11% on a like-for-like basis
- Organic growth initiatives delivering results
  - Cross-selling generated £3.5m sales in the year
  - Growth in lead generation from new web platform throughout the year
- Building expertise through selective acquisitions
  - Successful acquisitions of Myrra, YEG and RSG[6] (upfront cash consideration of £12.5m)
  - Proposed acquisition of the Noratel Group announced today for £73.5m (debt free/cash free basis) to be funded by a proposed £55m rights issue and a new five year revolving Group credit facility
- Completing the exit from non-core businesses
  - Discontinuance of the Supply Chain Division[2] with the disposals of its European Parts business for £3.7m (completed 11

November 2013) and its Enterprise business for £6.0m (completed 2 June 2014)

Nick Jefferies, Group Chief Executive, commented:

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

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

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

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Notes

(1) 'Underlying Operating Profit', 'Underlying EBITDA', 'Underlying Operating Costs', 'Underlying Profit before Tax' and 'Underlying Diluted EPS' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude results from discontinued operations, exceptional items, amortisation of acquired intangible assets and the IAS19 pension charge relating to a legacy defined benefit scheme. For further information see note 5 to the attached financial statements.

(2) The Supply Chain division has been accounted for as a discontinued operation following the sale of its two remaining businesses, the European Parts business completed on 11 November 2013 and the Enterprise business completed on 2 June 2014.

(3) Growth rates at constant exchange rates ("CER"). Unless stated, growth rates refer to the comparable prior year. Note that, for the average Euro rate against Sterling, the Euro strengthened 3% for the year compared to last year. The impact on reported sales for this period was an increase of 2%.

(4) Like-for-like growth rates (also referred to as organic growth rates) are at constant exchange rates, excluding the acquisitions of Myrra, YEG and RSG.

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

(6) Acquisitions in the year - Myrra Group ("Myrra") was acquired on 4 April 2013, the trade and assets of Young Electronics Group ("YEG") were acquired on 30 August 2013 and RSG Electronic Components GmbH ("RSG") was acquired on 2 December 2013.

Note to Editors:

Acal is a European leader in design, manufacture and distribution of specialist electronic products for the industrial and healthcare sectors. It is the only such provider with an infrastructure to deliver a broad range of specialist products and bespoke solutions across Europe. Acal's strategy is to further enhance its leadership position through organic growth, complementary acquisitions and continued enhancement of its custom service capabilities. It has completed seven acquisitions in the last five years, more than trebling its specialist revenues. Acal has operating companies across Europe including the UK, Germany, France, Benelux, Italy, Poland, Spain and the Nordic region as well as in Asia (China and South Korea) and Africa (South Africa). Businesses comprise Acal BFi, Hectronic, MTC, Myrra Group, RSG, Stortech and Vertec.

CHAIRMAN'S STATEMENT

Progress

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

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

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

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

Results

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

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

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

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

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

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

Proposed acquisition of the Noratel Group

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

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

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

Dividends

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

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

Board changes

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

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

Employees

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

The year ahead

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

Richard Moon

5 June 2014

CHIEF EXECUTIVE'S REVIEW

Business model

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

Over the last five years, the Group has acquired seven niche electronics businesses. Additionally, it has disposed of all five of the IT Spare Parts businesses from its Supply Chain Division, with the Division treated as a discontinued operation in the group financial statements.

Today, Acal is well positioned, with an infrastructure to deliver a complementary range of specialist products and bespoke solutions across

Europe, as well as in Asia and Africa.

Industrial customer base

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

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

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

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

Specialist products

The Group supplies specialist electronic products which require a high degree of technical knowledge as part of the sales process. Adopting a consultative sales approach, engineers develop technical solutions which meet customers' specific application requirements. Solutions range from the recommendation of an existing product, through modification of existing products, up to full design and development of a custom solution. In some cases, solutions involve the integration of suppliers' products into end-unit design assemblies. The sales engineers are technically knowledgeable, and supported by in-house application and design engineers. By developing solutions which are specific and highly valued by customers, the business is able to generate attractive and sustainable margins.

Distribution, design & manufacturing

The Group comprises a number of specialist businesses (Acal BFi, Hectronic, MTC, Myrra, RSG, Stortech and Vertec, of which Acal BFi is the largest), operating in distribution, design and manufacturing. The distribution businesses have a number of key suppliers with whom they work, often exclusively, to develop innovative customer solutions, which are frequently customised and unique. The design and manufacturing businesses design products in-house and manufacture them either internally or externally. Both types of businesses have design, customisation and development capabilities.

All Group businesses have three things in common:
- They sell niche products to industrial manufacturers;
- The products require a high level of technical knowledge to facilitate and achieve sales;
- A significant proportion of sales come from customised solutions.

Group strategy

The Group strategy is to build our position in the specialist electronics market. With both specialist distribution and a growing proportion of design and manufacturing businesses, this is being achieved through organic growth, acquisition and the realisation of synergies.

Organic growth

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

The Group operates across twelve specialist technology groups. Each technology group employs a team of specialist sales and support engineers, whose role is to identify and develop customer opportunities. Through the launch of the website, the business is able to present to a wider audience than before, the full range of products and capabilities on offer, whilst the business is more accurately able to identify and develop particular product and application areas of interest.

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

Acquisitions

The Group seeks to acquire well-established, niche electronics businesses which have the potential for further organic growth, as well as benefiting from cross-selling and operational synergies through the Group's existing infrastructure. During the year, £12.5m was invested in the acquisitions of Myrra (design and manufacture), the trade and assets of YEG (specialist distribution) and RSG (specialist distribution, design and manufacture). All three acquisitions were immediately value enhancing.

Synergies

The Group seeks to realise value enhancing synergies, both in sales and in operations, through the acquisition of complementary businesses. The level and form of synergies vary, according to the circumstances. Operating synergies are achieved through the integration of, for example, office and warehouse facilities, manufacturing capabilities, IT systems and common purchasing, freight and logistics. The integration of YEG into Acal BFi was completed following the year end, and Myrra assumed production of certain existing custom products for Acal BFi, which were previously produced by a third party.

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

1. Sales growth ahead of GDP over the business cycle

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

2. Develop sustainable & attractive operating margins

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

3. Create value through efficient and effective use of capital

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

(*) Return on trading capital employed is defined as underlying operating profit as a percentage of net operating assets (being tangible and intangible assets excluding goodwill, plus working capital).

4. Acquisitions which enhance earnings

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

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

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

6. Enhancing shareholder value

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

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

Operating performance

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

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

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

1. Underlying operating profit excludes exceptional items, amortisation of acquired intangible assets and IAS19 pension charge related to the legacy defined benefit scheme
2. Revenue growth at constant exchange rates

Electronics Division

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

a) Orders

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

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

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

b) Revenues

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

basis, having declined by 1% organically in the first half.

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

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

c) Gross profit

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

d) Operating costs

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

e) Underlying operating profit and margin

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

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

f) Website

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

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

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

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

g) Cross-selling

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

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

h) ERP System upgrade

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

i) Acquisitions

Acal seeks to acquire complementary, niche electronics businesses that share common characteristics with existing Group companies. Three such businesses were acquired during the year, all of which have performed well and in line with management's expectations.

In addition we are pleased to announce the proposed acquisition of the Noratel Group:

- *The Noratel Group*

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

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

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

- *Myrra Group ("Myrra")*

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

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

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

- *Young Electronics Group ("YEG")*

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

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

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

- *RSG Electronic Components GmbH ("RSG")*

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

Summary and Outlook

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

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

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

Nick Jefferies

5 June 2014

FINANCE REVIEW

Growth in revenue and gross profit

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

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

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

Maintaining a tight cost base

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

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

Selling and distribution costs	36.5	30.7
Administrative expenses	21.3	22.3
Reported costs	57.8	53.0

Exceptional items

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

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

Operating margin improvement

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

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

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

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

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

£m	FY2013/14		FY2012/13	
	Operating profit	Finance cost	Operating profit	Finance cost
Underlying	7.1	(0.8)	5.5	(0.5)
Underlying adjustments				
Net exceptional items	(0.7)		(3.1)	

Amortisation of acquired intangibles	(1.0)		(0.7)	
IAS 19 pension administration cost	(0.2)	(0.2)	(0.3)	(0.2)
Reported	5.2	(1.0)	1.4	(0.7)

Higher finance costs reflect partial debt funding of acquisitions

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

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

IAS19 (revised) was adopted in the period with full retrospective restatement, more detail of which can be found in note 4 to the attached financial statements. The IAS19 (revised) pension finance charge was £0.2m for the year, the same as last year. The total IAS19 (revised) pension charge for this period was £0.4m (including £0.2m of pension administration charges included within operating costs and shown in the table above), down £0.1m on last year (2012/13: £0.5m).

Underlying tax rate remains low

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

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

Strong profit and earnings growth

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

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

	FY2013/14		**FY2012/13**	
	PBT £m	**EPS**	**PBT £m**	**EPS**
Underlying	6.3	16.2p	5.0	13.5p
Underlying adjustments				
Net exceptional items	(0.7)		(3.1)	
Amortisation of acquired intangibles	(1.0)		(0.7)	
IAS 19 pension cost	(0.4)		(0.5)	
Reported	4.2	11.1p	0.7	7.1p

Acquisition strategy continues

On 4 April 2013, Acal completed the acquisition of Myrra, for a cash payment of €9.2m (£7.8m). In addition to the initial consideration, a three year earn-out payment of up to €1.8m (£1.5m) will be payable in the last quarter of FY 2015/16 to the Myrra management team, subject to the achievement of certain earnings based performance criteria. Included in exceptional costs is an accrual of £0.3m, being the expected cost of this earn-out at the end of the first year. The increase in amortisation of acquired intangible assets, from £0.7m last year to £1.0m this year, primarily relates to intangibles acquired with Myrra. For more information see note 10 of the attached financial statements.

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

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

Disposal of non-core assets

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

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

In total, the Group has disposed of all five Supply Chain businesses in the last four years. More details can be found in notes 11 and 12 of the

attached financial statements.

Discontinued business

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

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

More details can be found in note 12 of the attached financial statements.

Working capital improvements continue

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

Levels of working capital have reduced significantly in the last five years, improving from 15.3% of annualised second half sales in FY 2009/10 to 9.9% this year, a 35% improvement. This represents £11.9m of cash generation over that period.

Strong free cash flow generation

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

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

Cash flow for the period is summarised as follows:-

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

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

based payments totalling £1.9m.

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

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

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

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

Committed funding

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

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

ii) A committed debt facility of £8m, which was put in place to help fund the acquisition of Myrra.

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

Pension

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

Assets of the defined benefit scheme were valued at £31.4m at 31 March 2014, the same as last year. Pension contributions made by the Group of £1.5m together with growth in asset values, were offset by benefit payments during the year. Scheme liabilities under IAS19 were valued by actuaries at £37.1m, £0.1m less than last year. The net deficit at 31 March 2014 was £5.7m, £0.1m less than last year. Additionally, an associated deferred tax liability of £0.8m (31 March 2013: £0.7m) is included in pension liabilities, taking the total liability to £6.5m (31 March 2013: £6.5m). Further details are given in note 17 of the attached financial statements.

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

Net assets

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

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

Risks and uncertainties

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

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

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

- Strategic and operational risks: global economies, business acquisitions, business disruption including major damage to premises, loss of IT systems and loss of key personnel, laws and regulations, cyber security, product quality and liabilities, supply chain disruption

- Financial risks: foreign currency, credit, liquidity, legacy defined benefit pension scheme funding

A full description of these risks, their potential effects on the Group, and the mitigating actions taken, will be provided in the Strategic Report section of the 2014 Annual Report and Financial Statements.

Simon Gibbins
5 June 2014

Consolidated income statement
for the year ended 31 March 2014

	notes	**2014 £m**	2013 Restated* £m
Continuing operations			
Revenue	6	**211.6**	177.4
Cost of sales		**(148.6)**	(123.0)
Gross profit		**63.0**	54.4
Selling and distribution costs		**(36.5)**	(30.7)
Administrative expenses (including exceptional items)	7	**(21.3)**	(22.3)
Operating profit	6	**5.2**	1.4
Finance revenue		**0.2**	0.2
Finance costs		**(1.2)**	(0.9)
Profit before tax		**4.2**	0.7
Tax (expense)/credit		**(0.5)**	1.4
Profit for the year from continuing operations		**3.7**	2.1
Discontinued operations			
Loss for the year from discontinued operations	12	**(2.4)**	(4.0)
Profit/(loss) for the year		**1.3**	(1.9)
Earnings/(loss) per share	9		
Basic, profit from continuing operations		**11.8p**	7.4p
Diluted, profit from continuing operations		**11.1p**	7.1p
Basic, profit/(loss) for the year		**4.2p**	(6.7)p
Diluted, profit/(loss) for the year		**3.9p**	(6.7)p

Supplementary income statement information

Underlying Performance Measure		**2014 £m**	2013 Restated* £m
Operating profit		**5.2**	1.4
Add back: Exceptional items	7	**0.7**	3.1
Amortisation of acquired intangible assets		**1.0**	0.7
IAS 19 pension administrative charge		**0.2**	0.3
Underlying operating profit		**7.1**	5.5
Profit before tax		**4.2**	0.7
Add back: Exceptional items	7	**0.7**	3.1
Amortisation of acquired intangible assets		**1.0**	0.7
Total IAS 19 pension charge		**0.4**	0.5
Underlying profit before tax		**6.3**	5.0
Underlying earnings per share	9		
Basic		**17.2p**	14.0p
Diluted		**16.2p**	13.5p

*Prior year restated for discontinued operations (note 12) and adoption of IAS19R-Employee Benefits (note 4)

Consolidated statement of comprehensive income
for the year ended 31 March 2014

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

*Prior year restated for adoption of IAS19R-Employee Benefits (note 4)

Consolidated statement of financial position

at 31 March 2014

	notes	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment		**3.5**	3.1
Intangible assets - goodwill	15	**21.2**	21.0
Intangible assets - other		**4.3**	3.2
Deferred tax assets		**4.1**	3.6
		33.1	30.9
Current assets			
Inventories		**19.4**	19.3
Trade and other receivables		**48.3**	44.7
Cash and cash equivalents		**18.1**	17.8
		85.8	81.8
Assets in disposal group classified as held for sale		**6.9**	-
Total assets		**125.8**	112.7
Current liabilities			
Trade and other payables		**(45.7)**	(42.5)
Other financial liabilities		**(6.8)**	(4.3)
Current tax liabilities		**(2.7)**	(2.4)
Provisions		**(1.7)**	(1.7)
		(56.9)	(50.9)
Non-current liabilities			
Other financial liabilities		**(9.5)**	(1.7)
Pension liability	17	**(6.5)**	(6.5)
Provisions		**(2.0)**	(1.4)
Deferred tax liabilities		**(1.0)**	(0.7)
		(19.0)	(10.3)
Liabilities in disposal group classified as held for sale		**(1.4)**	-
Total liabilities		**(77.3)**	(61.2)
Net assets		**48.5**	51.5
Equity			
Share capital	16	**1.6**	1.6
Share premium		**40.7**	40.7
Other reserve	16	**-**	5.5
Merger reserve		**3.0**	3.0
Currency translation reserve		**0.2**	2.0
Retained earnings		**3.0**	(1.3)
Total equity		**48.5**	51.5

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

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

Consolidated statement of changes in equity

for the year ended 31 March 2014

	Attributable to equity holders of the Company						
	Share capital £m	Share premium £m	Other reserve £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2012	**1.4**	**40.7**	**-**	**3.0**	**1.2**	**2.8**	**49.1**
Loss for the year (restated*)	-	-	-	-	-	(1.9)	(1.9)
Other comprehensive income (restated*)	-	-	-	-	0.8	(0.8)	-
Total comprehensive income	-	-	-	-	0.8	(2.7)	(1.9)
Shares issued	0.2	-	5.9	-	-	-	6.1
Share issue costs	-	-	(0.4)	-	-	-	(0.4)
Share-based payments including tax	-	-	-	-	-	0.9	0.9
Equity dividends (note 8)	-	-	-	-	-	(2.3)	(2.3)

At 31 March 2013	**1.6**	**40.7**	**5.5**	**3.0**	**2.0**	**(1.3)**	**51.5**
Profit for the year	-	-	-	-	-	1.3	1.3
Other comprehensive income	-	-	-	-	(1.8)	(1.0)	(2.8)
Total comprehensive income	-	-	-	-	(1.8)	0.3	(1.5)
Share-based payments including tax	-	-	-	-	-	1.2	1.2
Equity dividends (note 8)	-	-	-	-	-	(2.7)	(2.7)
Transfer of other reserve	-	-	(5.5)	-	-	5.5	-
At 31 March 2014	**1.6**	**40.7**	**-**	**3.0**	**0.2**	**3.0**	**48.5**

*Prior year restated for adoption of IAS19R-Employee Benefits (note 4)

Nature and purpose of other reserves:

Other reserve

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

Merger reserve

A £3.0m merger reserve arose as a consequence of the acquisition in 1987 of Acal Electronics Holdings Limited and Acal Auriema Limited.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the results and financial position of subsidiaries denominated in foreign currencies.

Consolidated statement of cash flows

for the year ended 31 March 2014

	notes	**2014 £m**	2013 £m
Net cash flow from operating activities	14	**4.1**	3.7
Investing activities			
Acquisition of shares in subsidiaries (net of cash/(debt) acquired)	10	**(12.5)**	-
Payment of contingent consideration	10	**-**	(2.0)
Proceeds from the disposal of business (net of disposal costs)	11	**3.3**	1.5
Purchase of property, plant and equipment		**(0.7)**	(1.0)
Purchase of intangible assets - software		**(0.7)**	(0.3)
Interest received		**0.2**	0.2
Net cash used in investing activities		**(10.4)**	(1.6)
Financing activities			
Net proceeds from the issue of shares	16	**-**	5.7
Proceeds from borrowings		**8.0**	1.7
Repayment of borrowings		**(0.8)**	(0.9)
Dividends paid	8	**(2.7)**	(2.3)
Net cash from financing activities		**4.5**	4.2
Net (decrease)/increase in cash and cash equivalents		**(1.8)**	6.3
Cash and cash equivalents at 1 April		**14.4**	7.9
Effect of exchange rate fluctuations		**(0.7)**	0.2
Cash and cash equivalents at 31 March		**11.9**	14.4
Reconciliation to cash and cash equivalents in the consolidated statement of financial position			
Cash and cash equivalents shown above		**11.9**	14.4
Add back: bank overdrafts		**6.7**	3.4
Less: cash held for sale in disposal group		**(0.5)**	-
Cash and cash equivalents presented in current assets in the consolidated statement of financial position		**18.1**	17.8

Notes to the financial statements

for the year ended 31 March 2014

1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 5 June 2014. The financial information set out above does not constitute the

Company's statutory accounts for the years ended 31 March 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies whereas those for 2014 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 factors which may adversely impact 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.

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

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

4. Accounting policies

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

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

IAS19R-Employee Benefits
The consolidated income statement, the consolidated statement of comprehensive income and related notes for the year ending 31 March 2013 have been restated following amendments to IAS 19 'Employee Benefits'. The amendments require the return on defined benefit pension scheme assets to be calculated using the same discount rate that is applied to the present value of the defined benefit obligation. In addition, administration costs of the legacy defined benefit pension scheme, which are managed and paid by the Scheme Trustees, are required to be included in administrative expenses, rather than offset against the return on scheme assets in comprehensive income.

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

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

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

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

IFRS13 Fair value measurement

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

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 from continuing operations excluding exceptional items, amortisation of acquired intangible assets and the IAS19 pension charge.

Underlying profit before tax

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

Underlying effective tax rate

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

Underlying earnings per share

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

Underlying EBITDA

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

Free cash flow

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

Return On Trading Capital Employed ("ROTCE")

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

Like for like basis

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

6. Segmental reporting

For management purposes, during the year the Group was organised into two business units based on their products and services and had two reportable operating segments as follows:

- Electronics - specialist distribution of electronic and photonic products to industrial manufacturing and design companies
- Supply Chain - service parts, inventory optimisation and outsource solutions to leading IT service providers

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

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

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale. Refer to note 12 for details.

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

Segment revenue and results

2014	**Electronics £m**	**Central £m**	**Total £m**
Revenue	**211.6**	**-**	**211.6**
Result			
Underlying operating profit/(loss)	11.4	(4.3)	7.1
Exceptional items - acquisition and related integration costs	(1.7)	-	(1.7)
Exceptional items - restructuring	(0.5)	-	(0.5)
Exceptional items - gain on acquisition of YEG	1.5	-	1.5
Amortisation of acquired intangible assets	(1.0)	-	(1.0)
IAS 19 pension charge	-	(0.2)	(0.2)
Operating profit/(loss)	**9.7**	**(4.5)**	**5.2**

2013	**Electronics £m**	**Central £m**	**Total £m**
Revenue	**177.4**	**-**	**177.4**
Result			
Underlying operating profit/(loss)	9.5	(4.0)	5.5
Exceptional items - acquisition and related integration costs	(0.9)	-	(0.9)
Exceptional items - restructuring	(1.0)	-	(1.0)
Exceptional items - web development costs	(1.2)	-	(1.2)
Amortisation of acquired intangible assets	(0.7)	-	(0.7)
IAS 19 pension charge	-	(0.3)	(0.3)
Operating profit/(loss)	**5.7**	**(4.3)**	**1.4**

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

	2014 £m	2013 £m
UK	**49.9**	43.5
Europe	**143.7**	121.7
Rest of the World	**18.0**	12.2

	211.6	177.4

7. Exceptional items

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

a) Acquisition and related integration costs relate mainly to the acquisition of the Myrra Group, YEG and RSG. This includes a £0.3m charge in relation to the Myrra earn-out.

Last year the acquisition and related integration costs included £0.6m relating to transaction costs of the acquisition of the Myrra Group.

b) The Electronics division continued its restructuring programme to improve organisational efficiency in the business. As a result redundancy costs of £0.4m were incurred during the year which, due to their size and nature, have been included within exceptional items. In addition a £0.1m provision was incurred in respect of onerous property costs.

Last year the restructuring costs comprised redundancy costs of £1.1m offset by a £0.1m release of provision in respect of onerous property costs.

c) The gain on acquisition of YEG is the difference between the net consideration and fair value of the assets acquired (note 10).

d) Last year the costs associated with building and developing the new Electronics web platform until the date of launch at the end of January 2013 were treated as exceptional. Costs were £1.2m including £0.4m of employee costs. From launch, the costs of operating the website including such employee costs have been expensed as an underlying cost of the business of £0.9m (2013: £0.2m).

8. Dividends

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

	2014 £m	2013 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2013 of 6.0p (2012: 5.5p)	**1.9**	1.6
Interim dividend for the year ended 31 March 2014 of 2.5p (2013: 2.5p)	**0.8**	0.7
Total amounts recognised as equity distributions during the year	**2.7**	2.3

Proposed for approval at AGM:	**2014 £m**	2013 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2014 of 6.85p (2013: 6.0p)	**2.1**	1.9
Summary		
Dividends per share declared in respect of the year	**9.35p**	8.50p
Dividends per share paid in the year	**8.50p**	8.00p
Dividends paid in the year	**£2.7m**	£2.3m

9. Earnings/(loss) per share

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

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

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

	2014 £m	2013 Restated* £m
Profit/(loss) for the year attributable to equity holders of the parent:		
Continuing operations	**3.7**	2.1
Discontinued operations	**(2.4)**	(4.0)
Profit/(loss) for the year	**1.3**	(1.9)

	No	No
Weighted average number of shares for basic earnings/(loss) per share	31,314,052	28,502,950
Effect of dilution - share options	2,053,529	1,164,043
Adjusted weighted average number of shares for diluted earnings per share	**33,367,581**	29,666,993
Basic earnings per share from continuing operations	**11.8p**	7.4p
Diluted earnings per share from continuing operations	**11.1p**	7.1p
Basic earnings/(loss) per share	**4.2p**	(6.7)p

Diluted earnings/(loss) per share*	**3.9p**	(6.7)p

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

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

Underlying earnings per share is calculated as follows:

Continuing operations	**2014**	2013
	£m	£m
Earnings for the year	**3.7**	2.1
Exceptional items	**0.7**	3.1
Amortisation of acquired intangible assets	**1.0**	0.7
IAS 19 pension charge	**0.4**	0.5
Tax effect of the above	**(0.4)**	(0.6)
Tax effect of exceptional items in prior years	**-**	(1.8)
Underlying earnings on continuing operations	**5.4**	4.0
	No	No
Weighted average number of shares for basic earnings per share	31,314,052	28,502,950
Effect of dilution - share options	2,053,529	1,164,043
Adjusted weighted average number of shares for diluted earnings per share	**33,367,581**	29,666,993
Underlying basic earnings per share on continuing operations	**17.2p**	14.0p
Underlying diluted earnings per share on continuing operations	**16.2p**	13.5p

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

10. Business combinations

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

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

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

Acquisitions in the year ended 31 March 2014

Acquisition of Aramys SAS ("the Myrra Group"),

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

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

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

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

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

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

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

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

*Transaction costs of £0.6m were expensed as incurred in the year ending 31 March 2013 and were included as an exceptional item within administrative expenses (note 7).

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

Acquisition of Young Electronics Group ("YEG")

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

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

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

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

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

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

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

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

*Transaction costs of £0.1m have been expensed and are included as an exceptional item in administrative expenses (note 7).

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

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

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

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

	Fair value recognised at acquisition £m
Intangible assets - supplier relationships	1.1
Inventories	0.6
Trade and other receivables	0.3
Cash and cash equivalents	0.2

Trade and other payables	(0.3)
Deferred tax liability	(0.3)
Total identifiable net assets	**1.6**
Provisional goodwill arising on acquisition	**1.2**
Total investment	**2.8**
Discharged by:	
Cash	2.6
Deferred cash consideration	0.2
	2.8

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

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

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

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

*Transaction costs of £0.2m have been expensed and are included as an exceptional item in administrative expenses (note 7).

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

11. Disposals

Disposals in the year ended 31 March 2014

Disposal of Enterprise Services Business

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

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

Disposal of European Parts business

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

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

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

	£m
Net cash consideration	3.7
Net assets disposed of	(3.8)
Cumulative exchange gain in respect of the net assets of EAF GmbH reclassified from equity to the consolidated income statement	0.2
Transaction costs	(0.2)
Provision against claim from purchaser	(0.1)
Loss on disposal	**(0.2)**

Consideration received

	£m
Net upfront cash consideration received	3.4
Deferred consideration	0.3
Net cash consideration received	**3.7**

Net assets disposed of

	£m
Property, plant and equipment	0.1
Intangible assets - other	0.1
Inventories	2.2
Trade and other receivables	3.2
Trade and other payables	(1.7)
Provisions	(0.1)
Net assets disposed of	**3.8**

Net cash inflow on disposal

	£m

Upfront cash consideration	3.4
Deferred consideration received on 31 March 2014	0.1
Transaction costs	(0.2)
Net cash inflow on disposal	**3.3**

Disposals in the year ended 31 March 2013

Disposal of UK Parts business

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

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

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

	£m
Net cash consideration received	1.5
Net assets disposed of	(6.4)
Transaction costs	(0.2)
Loss on disposal	**(5.1)**

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**

Net assets disposed of

	£m
Intangible asset - goodwill	0.8
Property, plant and equipment	0.3
Intangible assets - other	0.2
Inventories	3.1
Trade and other receivables	4.0
Deferred tax assets	0.2
Bank overdrafts	(0.2)
Trade and other payables	(2.0)
Net assets disposed of	**6.4**

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. Discontinued operations

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

The above disposal was in addition to the disposal of the European Parts business and the UK Parts business in the current and prior year respectively (note 11).

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

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

	2014	2013
	£m	£m
Revenue	**17.9**	41.8
Expenses	**(16.7)**	(40.5)
Operating profit	**1.2**	1.3
Finance costs	**-**	(0.1)
Impairment loss recognised on the re-measurement to fair value less costs of disposal*	**(3.3)**	-
Loss on disposal of business (note 11)	**(0.2)**	(5.1)
Loss before tax from discontinued operations	**(2.3)**	(3.9)
Tax expense	**(0.1)**	(0.1)
Loss for the year from discontinued operations	**(2.4)**	(4.0)

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

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

Earnings per share

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

Cash flows relating to discontinued operations

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

Assets classified as held for sale

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

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

13. Movements in cash and net debt

Year to 31 March 2014

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

Included in the £2.3m net cash at 31 March 2014 is £0.5m relating to assets in disposal group classified as held for sale (note 12).

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

Supplementary information to the statement of cash flows

Underlying Performance Measure

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

14. Reconciliation of cash flows from operating activities

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

*Prior year restated for adoption of IAS19R-Employee Benefits (note 4)

15. Intangible assets - goodwill

Cost	£m
At 1 April 2012	63.7
Business disposals	(0.8)
Exchange adjustments	0.2
At 31 March 2013	**63.1**
Reclassified to assts held for sale	(11.0)
Arising from business combinations	6.3
Exchange adjustments	(0.4)
At 31 March 2014	**58.0**

Impairment	£m
At 31 March 2012 and 31 March 2013	(42.1)
Reclassified to assets held for sale	5.3
At 31 March 2014	**(36.8)**
Net book value at 31 March 2014	**21.2**
Net book value at 31 March 2013	21.0

The carrying value of goodwill is analysed as follows:

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

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

On 31 March 2014, the Acal Enterprise Solutions business, was classified as held for sale and therefore the goodwill allocated to the business is included on the consolidated statement of financial position within the assets of the disposal group classified as held for sale line. Please refer to note 12 for details on the carrying value of the goodwill at the year end.

The recoverable amount of each remaining CGU is based on value in use calculations and management's view of the recoverable amount. The key

assumptions in these calculations relate to future revenue and margins. Cash flow forecasts for the 5 year period from the reporting date are based on 2015 budget and management projections thereon. Average annual revenue growth rates between 5% and 10% (2013: between 3% and 10%) have been used depending on size and sector in which the CGU operates. Annual cash flow growth rates beyond the five-year period are assumed at 2% (2013: 2%) for all CGUs in line with the average long-term growth rate for the relevant markets.

16. Share capital

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

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

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

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

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

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

17. 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.

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

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

The consolidated income statement, the consolidated statement of comprehensive income and related notes for the year ending 31 March 2013 have been restated following amendments to IAS 19 'Employee Benefits'. Refer to note 4 above for details.

The pension liability at 31 March 2014 was £5.7m (2013: £5.8m) and total pension charge was £0.4m (2012: £0.5m). Additionally, a related deferred tax liability of £0.8m (2013: £0.7m) is included in the pension liability resulting in total liability of £6.5m (2013: £6.5m)

18. Events after the reporting date

Dividend

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

Acquisition

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

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

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

Disposal

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

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

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

in the year under review.

19. Exchange rates

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

	Year to 31 March 2014		Year to 31 March 2013	
	Closing rate	**Average rate**	Closing rate	Average rate
US dollar	**1.6648**	**1.5904**	1.5143	1.5801
Euro	**1.2074**	**1.1862**	1.1826	1.2274

20. Annual Report and Accounts

The Annual Report and Accounts will be mailed to shareholders on or before 27 June 2014. Copies will also be available at the company's registered office: 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, GU2 7AH.

In addition, the Annual Report and Accounts will be available on the company's website (www.acalplc.co.uk) from 5 June 2014.

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