# Final Results

Released : 02 Jun 2015

RNS Number : 8654O
Acal PLC
02 June 2015

**FOR RELEASE, 7:00 AM, 2 June 2015**

## ACAL plc

### Preliminary Results for the year ended 31 March 2015

### Underlying earnings per share increases by 31%

Acal plc (LSE: ACL, "Acal" or "the Group"), one of the leading international suppliers of customised electronics to industry, today announces its preliminary results for the year ended 31 March 2015.

| | **FY 2014/15** | FY 2013/14 | Growth % | CER [3] Growth % |
|---|---|---|---|---|
| Revenue | **£271.1m** | £211.6m | +28% | +36% |
| Underlying operating profit[1] | **£13.4m** | £7.1m | +89% | +106% |
| Underlying operating margin [1] | **4.9%** | 3.4% | +1.5ppts | |
| Underlying profit before tax[1] | **£11.8m** | £6.3m | +87% | |
| Reported profit before tax [1] | **£4.3m** | £4.2m | + 2% | |
| Underlying EPS[1] | **15.4p** | 11.8p[2] | +31% | |
| Reported fully diluted EPS | **4.8p** | 2.8p[2] | n/a | |
| Full year dividend per share | **7.6p** | 6.8p[2] | +12% | |

**Highlights**

- Strong growth in underlying profits and EPS driven by acquisitions and organic growth
  - Full year revenue up 36% CER[3] with second half revenue up 45% CER
  - Underlying operating profit up 106% CER to £13.4m
  - Underlying profit before tax up 87% and underlying EPS up 31%
- Significant progress delivered against strategic and performance targets
  - Design & Manufacturing generated 63% of underlying profitability from 37% of Group sales
  - Sales beyond Europe were 12% of Group sales (2014: 5%)
  - Group like-for-like[4] sales up 3% and up 9% in the higher margin Design & Manufacturing division
  - Cross-selling initiatives generate £5.5m in new business
  - Underlying operating margin up 1.5ppts to 4.9%
  - Full year dividend per share up 12%
- Acquired businesses all performing well and in line with expectations
  - Noratel sales up 7% in the second half with the US now profitable
  - YEG successfully integrated into Acal BFi
  - Foss integrating quickly
- Group well positioned for future growth
  - Leading market position in customised electronics
  - Compelling long term organic growth drivers
  - Strong track record in value-adding acquisitions

- Debt gearing ratio[5] of 1.0x with resources for further acquisitions

**Nick Jefferies, Group Chief Executive, commented:**

"The strategy of building a differentiated, higher margin business has delivered very good full year results. Underlying operating profits doubled to £13.4m, on revenues that increased by 36% at constant exchange rates, as a result of the acquisitions of Noratel and Foss, and solid organic growth. Underlying earnings per share increased by 31%, despite continuing foreign exchange translation headwinds.
Noratel, which was acquired in July 2014, performed strongly with organic sales growth of 7% in the second half compared with the prior year pre-acquisition period. Foss, acquired in January 2015, is integrating quickly into the Group and performing in line with our expectations.

The new financial year has started in line with our expectations. We are well positioned for further growth with a strong order book and market conditions that are expected to continue improving. Additionally, we are developing several acquisition opportunities and have funding resources available."

**Acal plc** 01483 544 500
Nick Jefferies - Group Chief Executive
Simon Gibbins - Group Finance Director

**Instinctif** 020 7457 2020
Mark Garraway
Helen Tarbet
James Gray

***Notes:***

(1) 'Underlying Operating Profit', 'Underlying Operating Costs', 'Underlying Profit before Tax' and 'Underlying EPS' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude discontinued operations, exceptional items of £5.0m (being acquisitions and integration costs of £2.5m, provisions for earn-out payments of £0.8m and restructuring costs of £1.7m), amortisation of acquired intangible assets of £2.1m and the IAS19 pension charge relating to a legacy defined benefit scheme of £0.4m; totalling £7.5m for FY15. Equivalent exclusions within the FY 14 underlying results totalled £2.1m. Exceptional costs are higher this year, principally due to the costs associated with the acquisition of the Noratel Group. For further information see Note 5 of the attached summary financial statements.

(2) The £55m rights issue, completed on 9 July 2014, led to an increase in the number of pre-rights shares by the bonus share factor of 1.3759 (see detail in Note 19 to the attached summary financial statements). Accordingly, historic data for earnings per share and dividend per share have been adjusted by this factor.

(3) Growth rates at constant exchange rates ("CER"). Unless stated, growth rates refer to the comparable prior year period. The average sterling rate of exchange has strengthened 7% against the Euro for the year ended 31 March 2015 compared with the last year (rising from €1.186 to €1.275) and strengthened 8% against Nordic currencies negatively affecting reported sales and earnings for this period by around 8%. The closing £/€ exchange rate on 31 March 2015 was 1.375 which is a further 8% higher than the average rate for FY15.

(4) Like-for-like growth for the Group is calculated at constant exchange rates excluding this year's acquisitions of Noratel (acquired 17 July 2014) and Foss (acquired 7 January 2015), and excluding YEG and RSG which were acquired during the prior year (on 30 August 2013 and 2 December 2013 respectively).

(5) The Group gearing ratio is defined as net debt at 31 March 2015 over underlying EBITDA for the 12 months ended 31 March 2015 (adjusted for a full year's inclusion of the underlying EBITDA of acquisitions).

***Notes to Editors:***

Acal is a leading supplier of customised electronics to industry. It designs, manufactures and distributes customer-specific electronicproducts and solutions to 25,000 industrial manufacturers and is listed on the London Stock Exchange (LSE: ACL).

Acal has two divisions: Custom Distribution and Design & Manufacturing. The majority of its sales comes from products and solutions which are either created uniquely for a customer or sourced exclusively. Acal works across a range of technologies, namely Communications & Sensors, Electromechanical, Imaging & Photonics, Embedded Computers & Displays, and Power & Magnetics.

Acal operates through the following wholly-owned businesses: Acal BFi, Foss, Hectronic, MTC, Myrra, Noratel, RSG, Stortech and Vertec. It has operating companies and manufacturing facilities in a number of markets, including the UK, Germany, France, the Nordic region, Benelux, Italy, Poland, Slovakia and Spain, as well as in Asia (China, India, Sri Lanka and South Korea), the US and South Africa.

**CHAIRMAN'S STATEMENT**

This has been another year in which the Group has delivered significant progress, both strategically and financially. The acquisitions of Noratel and Foss, and the ongoing delivery of our Group strategy, have firmly established Acal's position as a key provider of custom electronics to the industrial sector.

In addition to its operations across Europe, Acal now has a number of facilities in Asia (mainly manufacturing, as well as a new sales office in Shanghai) and a small operational presence in North America, marking the beginning of our next phase of development as the Group expands beyond Europe.

On behalf of the Board, I would like to thank our shareholders for their continued support, in particular, in respect of the rights issue in July 2014 which successfully raised £55m (approximately 50% of our market capitalisation at the time), in order to fund the acquisition of Noratel. I am pleased to report that Noratel is performing well and to the level expected by the Group.

In July 2014, the Group also refinanced its debt facilities with a £70m revolving credit facility. This facility provided the balance of funding for the Noratel acquisition, as well as the financing for the purchase of Foss in January 2015 and refinanced our ongoing operational requirements.

The organic performance of existing and newly acquired businesses remains our top priority and I am pleased to report that solid growth in revenues and profitability from these businesses has again been delivered.

After almost eleven years on the Board and ten as Chairman, this is my last annual report. As previously announced, it is proposed that Nick

Salmon will become Chairman in July following the AGM and I wish him every success. With a background in leading large, listed, international manufacturing and technology businesses, the Board is confident that Nick's experience is ideally suited to lead Acal through the next stage of the Group's ambitious development plans.

During more than a decade at Acal, I have seen the Group transform itself into a differentiated supplier of customised electronics with 3,400 employees and a presence in 21 countries. Acal's market proposition is unique; no other company in our sector is known to have the range of engineering and technological capabilities, and geographical reach, for the provision of complex, customised electronics on Acal's scale. I believe that Acal has created its own market space and has an exciting future ahead.

**Results**

Group revenue increased by 28% to £271.1m and by 36% at constant exchange rates (CER). Like-for-like sales (excluding acquisitions) increased by 3%.

Underlying operating profit, which excludes the costs of acquisitions, restructuring and integrations, increased by £6.3m to £13.4m (from £7.1m reported last year), representing 106% CER growth. Underlying profit before tax increased by £5.5m to £11.8m (from £6.3m reported last year).

The underlying operating margin increased by 1.5ppts to 4.9% reflecting Acal's continuing transition into a more differentiated and profitable business.

Underlying earnings per share for the year increased by 31% to 15.4p (up from 11.8p last year).

On a reported basis, profit before tax was £4.3m with fully diluted earnings per share of 4.8p.

Net debt at the end of the year was £19.0m with a Group gearing ratio (being net debt divided by underlying EBITDA, adjusted for a full year's inclusion from acquisitions) of approximately 1.0 times.

**Dividend**

The Board's policy is to maintain a long term dividend cover of between 2 to 3 times underlying earnings. In light of the strong underlying profit performance, the Board is recommending an increase in the final dividend per share of 8% to 5.4 pence per share, giving a full year dividend per share of 7.6 pence, representing an increase of 12% for the year and a cover against underlying earnings of 2.0 times.

Since 2010, the full year dividend per share has risen by 49%, an increase of 8.3% per year CAGR.

**Board changes**

On 1 March 2015, Nick Salmon joined the Board as a Non-Executive Director and it is proposed that he replaces me, as Chairman, following the AGM on 29 July 2015. Having previously served as Chief Executive of Cookson Group PLC, Executive Vice President of Alstom Group, and Chief Executive of Babcock International Group Plc, Nick is well placed to lead the Board during the next phase of Acal's growth.

On 31 December 2014, Graham Williams retired from the Board. Graham served as a Non-Executive Director since December 2003, as Chairman of the Remuneration Committee since July 2005, and as Senior Non-Executive Director since July 2013. On behalf of the Board, I would like to thank Graham for his very significant contribution.

With effect from the same date, Richard Brooman, a Non-Executive Director since January 2013 and Chairman of the Audit Committee, was appointed Senior Non-Executive Director, and Henrietta Marsh, a Non-Executive Director since May 2013, was appointed Chairman of the Remuneration Committee.

**Employees**

The Group consists of 3,400 employees in 21 countries around the world. The Board believes that by adopting a decentralised operating environment, supported by rigorous control and review processes, the Group is able to continue to foster an ambitious and entrepreneurial culture.

On behalf of the whole Board, I would like to thank all our employees for their commitment and hard work once again this year. Their dedication is critical in helping us achieve our targets.

**The year ahead**

Acal is building a business that is differentiated, successful and ambitious. With further initiatives underway to take advantage of growth opportunities, and an improving macro-economic climate, the Board is confident that its strategy will continue to deliver performance ahead of the wider market and further enhance value for the Company's shareholders.

**Richard Moon**
**Chairman**

**2 June 2015**

**CHIEF EXECUTIVE'S REVIEW**

**Overview**

Group revenues increased by 36% at CER to £271.1m (28% on a reported basis), with sales growing by 3% organically at CER. Underlying operating profit increased to £13.4m (from £6.5m at CER last year), representing a 4.9% return on sales, with underlying EPS increasing by 31%. At the year end, the Group order book was £82m, the highest level since the Group's strategy was launched in 2009.

Currency headwinds have been considerable this year, particularly the weakening Euro and Nordic currencies, having a c.8% overall adverse translational impact on reported revenue and earnings. Our Group hedging policy has minimised transactional effects and contributed to the continuing stable development of Group profitability.

We made two significant acquisitions during the year, Noratel and Foss. Following the disposal of the final business in the legacy Acal IT Supply Chain division in June 2014, a new two divisional structure was introduced to reflect the Group's focus on custom electronics and the intended growth in design and manufacturing.

**Growth strategy**

The Group operates in attractive end-markets which are driven by the increasing pace of technology adoption, which in many cases is essential for end-product innovation. We estimate our market to be worth in the region of £12bn globally, of which Europe accounts for £4bn, North America £6bn and Asia £2bn. Historically, the use of electronic hardware within industrial applications has grown approximately three times faster than GDP. With a proliferation of new applications emerging, for example in medical markets and the 'Internet of Things' (that is, the communication between devices and objects), we expect our long term growth to continue at rates well ahead of GDP.

The Group strategy comprises four elements:

1. Move up the electronics value chain - by focusing on differentiated products with higher operating margins in design, manufacturing and custom distribution (see Key Strategic Indicator 'KSI' 1 below).

2. Grow sales organically and well ahead of GDP - by enlarging and improving the customer offering, by acquiring new customers and by cross-selling between Group companies and between technology areas (see KSI 2).

3. Acquire businesses - with the opportunity for organic growth and operating efficiencies which broaden and strengthen Acal's technological expertise with complementary products, customers, suppliers and geographies (see KSI 1, 2 & 3).

4. Develop sales internationally - by following existing customers' international needs and by developing local market sales (see KSI 3).

*Performance*

The Group's principal objective is long term growth in total shareholder return ('TSR') driven by consistent growth in underlying earnings per share ('EPS'). In the year, underlying EPS grew by 31% from 11.8p to 15.4p, while over a six year period underlying EPS has risen by 18.2p from a loss per share of 2.8p in FY2008/09. TSR rose by 19% over the year to 31 March 2015, by 101% over the last three years and by 385% over the last six years, returns which are in the upper quartile of FTSE Small Cap Index constituents.

Three Key Strategic Indicators measure the progress of the Group on its key strategic objectives, while five Key Performance Indicators measure the financial performance of the business.

*Key Strategic Indicators ('KSIs')*

| | FY 2010 | FY 2014 | FY2015 | Mid term target |
|---|---|---|---|---|
| 1. Increase share of Group revenue from design & manufacturing | 5% | 18% | 37% | 65% |
| 2. Increase cross-selling and web generated sales as a proportion of Group revenue | 0% | 2.7% | 4% | 4~5% |
| 3. Build sales outside Europe as a proportion of Group revenue | 0% | 5% | 12% | 20% |

1. Design & Manufacturing revenue as a proportion of total Group revenue increased to 37% this year (from 18% last year). This was achieved through the acquisitions of Noratel and Foss combined with strong organic sales growth of 9%. Adding in a full year's revenue for Noratel and Foss, the Design & Manufacturing revenue proportion increases to 43%. The mid-term target is to achieve 65%.

2. Cross-selling initiatives exist to accelerate organic sales growth and improve the efficiency of Group businesses. In the year, cross-selling generated £5.5m of new business, with a further £5.7m of recurring business from projects designed in prior years, in total representing 4% of Group revenues. The mid-term target is for these initiatives to generate 4-5% of Group sales.

3. Growth in sales beyond Europe into Asia and North America was achieved this year, principally through the acquisition of Noratel. Overall, sales from outside the UK and Europe were £32.7m and represented 12% of Group sales (up from 5% last year). Adding in a full year's revenue for Noratel and Foss, the proportion is 14%, with a mid-term target of 20%.

*Key Performance Indicators ('KPIs')*

| | FY 2010 | FY 2014 | FY 2015 | 3 yr target |
|---|---|---|---|---|
| 1. Organic sales growth | -16% | 2% | 3% | Well ahead of GDP |
| 2. Increase underlying operating margin | -0.3% | 3.4% | 4.9% | 6-7% |
| 3. Attractive ROTCE* | - | 24% | 24% | >25% |

| | | | | |
|---|---|---|---|---|
| 4. Generate strong free cash flow * | - | 86% | 76% | > 75% PBT |
| 5. Generate long term value for shareholders: (TSR) | - | 42% | 19% | Upper |
| (percentile vs FTSE Small Cap Index) | - | Top 27th | Top 21st | quartile |

** Defined in Note 5 of the attached summary financial statements*

1. Group organic sales growth (being sales growth at CER, excluding acquisitions) was 3% for the year, with growth delivered in both the Custom Distribution and Design & Manufacturing divisions. Organic growth in all areas except Custom Distribution in the UK and Design & Manufacturing in Norway, was in line with our medium term targets, being well ahead of GDP growth. There were specific factors in the UK and Norway, which are set out later in this report. Weighted average GDP growth in the Eurozone and UK during the year was 1.1%. The target is to achieve sales growth well ahead of GDP on an ongoing basis.

2. The underlying operating margin for the year was 4.9% and 5.3% for the second half, as improving organic growth added to the positive effect of acquisitions. Following the acquisition of Noratel, we raised our three year target for underlying operating margin to be in the range of 6% to 7%.

3. Return on trading capital employed ('ROTCE') was 24% for the year, with a three year target for ROTCE to be greater than 25%.Over the last three years, ROTCE has averaged 24%.

4. Free cash flow as a percentage of underlying profit before tax ('PBT') was 76%, with a three year target being for free cash to exceed 75% of underlying PBT over that period. Over the last three years, free cash flow of £18.1m has been generated, at an average of 78% of underlying PBT in the period. Details of the free cash flow calculation are given in the Cash Flow section within the Finance Review.

**Divisional results**

During the year, new segmental reporting was introduced (being Custom Distribution and Design & Manufacturing), reflecting the Group's strategy. The performance of these divisions, and the Group, for the year ended 31 March 2015, is set out and reviewed below.

| | **2014/15** | | | 2013/14 | | | CER Revenue growth |
|---|---|---|---|---|---|---|---|
| | **Revenue £m** | **Underlying operating profit [1] £m** | **Margin** | Revenue £m | Underlying operating profit [1] £m | Margin | |
| Custom Distribution | **169.8** | **6.7** | **3.9%** | 163.7 | 6.4 | 3.9% | 4% |
| Design & Manufacturing | **101.3** | **11.4** | **11.3%** | 35.9 | 4.4 | 12.3% | 182% |
| Unallocated costs | | **(4.7)** | | | (4.3) | | |
| Total CER[2] | **271.1** | **13.4** | **4.9%** | 199.6 | 6.5 | 3.3% | 36% |
| Translation impact [3] | | | | 12.0 | 0.6 | 0.1% | |
| Total reported | **271.1** | **13.4** | **4.9%** | 211.6 | 7.1 | 3.4% | |

1. *Underlying operating profit excludes certain items (see Note 5 of the attached summary financial statements).*
2. *Revenue and operating profit at CER with last year's results translated at this year's average exchange rates.*
3. *The difference between reported results last year and the results at CER.*

**Custom Distribution**

The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products to the industrial, medical and healthcare markets, bothfrom a range of high quality, international suppliers (often on an exclusive basis) and from Acal's own Design & Manufacturing division. A high degree of technical knowledge is required during the sales process with Acal's engineers helping industrial manufacturers solve their design challenges. Acal is the only industrial electronics business which provides such a comprehensive range of customer-specific products and solutions across Europe. The division comprises two businesses: Acal BFi, which supplies industrial markets, and Vertec, which supplies medical and healthcare markets.

Acal BFi, which accounts for over 90% of divisional revenue, uses products from a range of complementary suppliers (including Acal's own Design & Manufacturing businesses) and has over 20,000 customers in five technology areas: Communications & Sensors, Power & Magnetics, Electromagnetics, Embedded Computers & Displays, and Photonics & Imaging. The business operates across Europe, with centralised warehousing, purchasing, finance, customer contact management and web systems.

During the year, divisional sales grew by 4% on a CER basis and 2% on a like-for-like basis. Underlying operating profit grew by 5% CER to £6.7m, representing an underlying operating margin of 3.9%.

At the beginning of the year, the Young Electronics Group ('YEG'), which was purchased in August 2013, was integrated into Acal BFi's UK custom distribution business. YEG's operations were relocated from High Wycombe into Acal BFi's facility in Wokingham and its operating systems transferred onto those of Acal BFi, thereby eliminating its back office and administrative functions. In order to accommodate the increased warehousing requirements, the Acal BFi warehouse was relocated to a new 23,000 sq ft facility in Bracknell. Several unprofitable customer / supplier relationships were discontinued to create a more focused business unit. Following successful integration, the business unit is now trading profitably and in line with Group expectations.

In Continental Europe, Acal BFi's organic sales grew by 8% despite the sluggish macro-economic backdrop which reflects the organic growth initiatives taking effect, as well as a number of particularly large orders. Similar levels of growth were achieved in all countries except Spain, which grew by only 1%.

The UK market was weaker than expected. Manufacturing of Computer, Electronic & Optical goods declined overall by 2% in the year (source: Thomson Reuters), despite the more widespread economic recovery. Following the integration of YEG, a review of the sales and marketing organisation was undertaken with the objective of improving commercial focus and operational efficiency. The resulting changes enable the business to tailor its sales resource according to the size of customer and opportunity. These changes led to a 10% net reduction in headcount, as well as a similar proportion of personnel changes. During the re-organisation period, UK sales dropped by 14%. Also during the year, Acal BFi began the exit from its last major non-specialist supplier, thereby enabling greater focus on highly differentiated and custom products. The revenue represented around 1% of Group sales and approximately half a percentage point of Group gross profit. Associated headcount costs were removed. The exceptional costs of these restructuring activities were £1.1m in the first half and £0.6m in the second.

The number of Acal BFi active customers grew by 5% during the year as a result of the YEG acquisition and new customer leads generated by the web. The web platform (www.acalbfi.co.uk), introduced almost two years ago, makes visible, on external search engines in 11 countries and in five languages, the full range of products and capabilities on offer from Acal BFi, including products from all our Design & Manufacturing businesses. Unique customer visits have increased to 60,000 per month and the value of new business awarded from web sourced opportunities grew steadily through the year. We expect this to continue to grow as design cycles lead to new orders.

Vertec, which supplies exclusively sourced, medical imaging and radiotherapy products into medical and healthcare markets in the UK and South Africa, continued to perform as expected with good revenue growth in the UK and stable revenues in South Africa.

**Design & Manufacturing**

The Design & Manufacturing division supplies custom electronic products which are either designed uniquely for a customer or specifically modified from an existing product. The products are manufactured at one of our in-house manufacturing facilities, or in a few cases, by third party contractors. The division has seven businesses which are aligned with the Group's core technology areas, namely Noratel, Myrra and RSG (all within Power & Magnetics); Foss (Communication and Sensors); Stortech and MTC (both within Electromechanical and Shielding); and Hectronic (Embedded Systems and Displays). The division's principal manufacturing facilities are in China, India, Sri Lanka and Poland.

Divisional sales increased by 182% at CER to £101.3m in the year, driven by the acquisitions of Noratel and Foss, as well as organic growth of 9% in existing businesses. Underlying operating profit increased to £11.4m (from £4.4m CER) with an underlying operating margin of 11.3%. Divisional revenue was 37% of Group revenue and generated 63% of Group underlying operating profits (before unallocated costs).

Noratel was acquired in July 2014 and Foss in January 2015, and together have contributed approximately £59m of revenue and £6m of underlying operating profit to the division since acquisition. Including the pre-acquisition periods of Noratel and Foss, divisional sales grew by 11% organically in Europe (excluding the Nordic region) and 18% beyond Europe while, in the Nordic region, sales declined by 4%, as a consequence of reduced customer spending linked to the oil price decline. At a Group level, 2% of revenue is derived from the oil and gas sector.

**Cross-selling**

Cross-selling initiatives are changing the nature of the business, broadening the range of products which Acal sells to existing customers, developing more valuable customer relationships and achieving more efficient use of sales resources. This is achieved in two ways:-

i) Sister company cross-selling, which involves the selling of one business's products by fellow Group companies. Programmes are underway with all Design & Manufacturing businesses to grow their sales through Acal BFi, in addition to their existing sales programmes. This initiative, started two years ago, generated total sales of £1.0m, of which £0.6m was new sales in the year and £0.4m recurring sales from projects designed in the prior year.

ii) Acal BFi cross-selling, which involves increasing the range of Acal BFi products from different technology areas being sold to existing Acal BFi customers. This initiative, launched four years ago, generated total sales of £10.2m, of which £4.9m was new sales in the year and £5.3m recurring sales from projects designed in previous years.

In total, £5.5m of new business was generated from these cross-selling initiatives.

**Acquisitions**

*The 'Acal Effect'*

Acquisitive growth is a key part of our strategy. Following acquisition, new Design & Manufacturing businesses operate to a pre-agreed business plan, supported by the Group's governance, controls and centralised treasury function, while retaining their entrepreneurial qualities, commercial capability and branding. These businesses gain access to a much wider range of similar customers throughout Europe via the Acal BFi European distribution network (through cross-selling), as well as displaying their company name and products on the Acal BFi website. Financial incentives are in place internally which encourage cross-selling activities.

Conversely, newly acquired Custom Distribution businesses are fully integrated into the Acal BFi structure, thereby driving commercial efficiencies and realising operational synergies.

Newly acquired businesses can realise a number of benefits by being part of the Acal Group:-

i) By our greater product differentiation, acquired businesses can be positively differentiated from other custom product companies thereby generating new business (cross-selling). For example, since its acquisition, Noratel has become an approved supplier to an existing major Group customer to which it had hitherto been unable to gain access.

ii) Acal is able to provide customers with consolidated account management, administration and logistics, which can reduce their cost of interface and so increase their efficiency.

iii) Acal, being a larger, listed group, can provide a degree of transparency and assurance to customers who may be concerned at their exposure to a smaller, privately-owned business.

*Noratel*

Noratel was acquired in July 2014 for a debt-free consideration of NOK 735m (£70.9m). It is a global designer and manufacturer of electromagnetic products, specifically transformers and inductors. The business sells into Europe, Asia and North America, and, as expected, has performed well since being acquired. Post-acquisition sales have grown by 2% CER compared with the pre-acquisition period; in the second half, sales grew by 7%.

Entering the North American market is an important step for Acal and so it is pleasing to report that good progress has been made in Noratel North America where the business has been returned to profitability whilst continuing to grow. The improvement was achieved by making local management changes and implementing new commercial and production processes.

Cross-selling initiatives are underway with both Acal BFi and Myrra (the Group's other magnetics Design & Manufacturing business) and progress is being made with a growing number of new design opportunities.

As part of the acquisition, the management sellers of Noratel have been incentivised over the three year period following acquisition through an earn-out of up to NOK 12m (£1.1m), based on cumulative growth in EBITDA over that period.

*Foss*

Foss was acquired in January 2015 for an initial cash consideration of NOK 99m (£8.5m) plus contingent consideration of up to NOK 5m (£0.4m). Foss is a designer, manufacturer and distributor of fibre optic cables and support products. With operations in Norway and Slovakia, the business supplies custom fibre optic cabling and connections which enables high-speed communication, increasingly required in industrial as well as communications markets. The business complements Acal's existing fibre optic cabling and communications business in Acal BFi (mainly Germany and the UK), which is of a similar size.

The business is integrating quickly into the Group and sales since acquisition are in line with our expectations. In addition, cross-selling programmes were launched in the new financial year.

As part of the acquisition, the management sellers of Foss have been incentivised over the three year period following acquisition through an earn-out of up to NOK 15m (£1.3m), based on the business achieving agreed profit growth targets.

**Outlook**

The new financial year has started in line with our expectations. We are well positioned for further growth with a strong order book and market conditions that are expected to continue improving. Additionally, we are developing several acquisition opportunities and have funding resources available.With a clear strategy to build a differentiated, custom electronics group, the Board remains confident of further positive development in the Group's business.

**Nick Jefferies**
**Group Chief Executive**

**2 June 2015**

**FINANCE REVIEW**

**Revenue**

Group revenue for the year increased by 36% CER (28% at reported rates). Of this, like-for-like sales grew by 3% with acquisitions in the last two years (being Noratel, Foss, YEG and RSG) contributing 33ppts of growth.

| **£m** | **FY 2014/15** | **FY 2013/14** | **%** | **H1 %** | **H2 %** |
|---|---|---|---|---|---|
| Like-for-like sales | 196.6 | 191.8 | 3% | 3% | 3% |
| Acquisitions | 74.5 | 7.8 | | | |
| Underlying revenue (CER) | 271.1 | 199.6 | 36% | 27% | 45% |
| FX translation impact | - | 12.0 | | | |
| **Reported revenue** | 271.1 | 211.6 | 28% | 20% | 35% |

Underlying revenues increased by 27% CER in the first half and 45% CER in the second half with a full half year of Noratel revenue and a quarter's revenue from Foss since their acquisitions being significant factors behind the uplift.

This year has seen a strong foreign exchange translation headwind. Key translation currencies for the Group are Euros and the Nordic currencies. The average sterling rate of exchange strengthened approximately 7% against the Euro for the year ended 31 March 2015, compared with the same period last year (rising from €1.186 to €1.275), and strengthened approximately 8% against Nordic currencies. These, together with other currency translation movements, negatively affected reported revenue and earnings for the year by around 8%.

**Gross Profit**

Gross profit for the year of £84.4m represents an increase of 42% CER over last year. This growth is higher than the corresponding revenue growth rate of 36%, due to an improvement in gross margin by 1.3ppts to 31.1%. Gross margin increased in both divisions, reflecting the Group's continued focus on higher value-add, customised electronics, and has increased by over 5ppts in the last six years.

**Underlying operating costs**

Group underlying operating costs increased by 34% CER reflecting the inclusion of the cost bases of businesses acquired in the last two years (mainly Noratel and Foss). Like-for-like underlying operating costs were up 3%, as the Group continues to manage its cost base, of which 1% related to Custom Distribution, with the balance being investment in the higher value-add, Design & Manufacturing division.

| £m | FY 2014/15 | FY 2013/14 | % |
|---|---|---|---|
| Like-for-like costs | 52.9 | 51.5 | 3% |
| Acquisitions | 18.1 | 1.4 | |
| Underlying costs (CER) | 71.0 | 52.9 | 34% |
| FX translation | - | 3.0 | |
| Underlying adjustments | | | |
| Acquisition/integration costs | 3.3 | 0.2 | |
| Restructuring costs | 1.7 | 0.5 | |
| Amortisation of acquired intangibles | 2.1 | 1.0 | |
| IAS 19 pension administration cost | 0.2 | 0.2 | |
| **Reported costs** | 78.3 | 57.8 | 35% |

| £m | FY 2014/15 | FY 2013/14 |
|---|---|---|
| Selling and distribution costs | 44.0 | 36.5 |
| Administrative expenses | 27.0 | 19.4 |
| Underlying adjustments | 7.3 | 1.9 |
| **Reported costs** | 78.3 | 57.8 |

Sales and distribution costs, and administration expenses, are higher than last year, due mainly to the inclusion of operating costs of the acquired Noratel and Foss businesses. Underlying adjustments, which are included in the financial statements within administration expenses are discussed below.

**Group operating profit and margin**

Group underlying operating profit for the year was £13.4m, up £6.3m (89%) on last year, with an underlying operating margin of 4.9%, up 1.5ppts on last year. At CER, the increase in underlying operating profit was £6.9m (106%).

| £m | FY 2014/15 | FY 2013/14 | % |
|---|---|---|---|
| Underlying operating profit (CER) | 13.4 | 6.5 | 106% |
| FX translation | - | 0.6 | (17%) |
| **Underlying operating profit** | 13.4 | 7.1 | 89% |

First half underlying operating profits were £5.5m, up £2.7m CER, with an underlying operating margin of 4.5%. Second half underlying operating profits were £7.9m, up £4.2m CER, with an underlying operating margin of 5.3%.

ROTCE (Return on trading capital employed, as defined in Note 5 to the attached summary financial statements) for the year was 24% and in line with last year. Our three year target is to achieve a ROTCE of at least 25%.

Reported Group operating profit for the year (after underlying adjustments discussed below) was £6.1m.

| | FY 2014/15 | | | FY 2013/14 | | |
|---|---|---|---|---|---|---|
| £m | Operating profit | Finance cost | Profit before tax | Operating profit | Finance cost | Profit before tax |
| **Underlying** | 13.4 | (1.6) | 11.8 | 7.1 | (0.8) | 6.3 |
| Underlying adjustments | | | | | | |
| Acquisition/integration costs | (3.3) | | (3.3) | (0.2) | | (0.2) |
| Restructuring costs | (1.7) | | (1.7) | (0.5) | | (0.5) |
| Exceptional items | (5.0) | - | (5.0) | (0.7) | - | (0.7) |
| Amortisation of acquired intangibles | (2.1) | - | (2.1) | (1.0) | - | (1.0) |
| IAS 19 pension cost | (0.2) | (0.2) | (0.4) | (0.2) | (0.2) | (0.4) |
| **Reported** | 6.1 | (1.8) | 4.3 | 5.2 | (1.0) | 4.2 |

**Underlying adjustments**

Underlying adjustments for the year comprise exceptional costs of £5.0m (2013/14: £0.7m), the amortisation of acquired intangibles of £2.1m (2013/14: £1.0m) and IAS19 legacy pension costs of £0.4m (2013/14: £0.4m).

Exceptional costs for the year of £5.0m comprise:-

i) Acquisition and integration costs of £3.3m, being the costs associated with the acquisition of Noratel and Foss of £2.1m; the cost of integrating YEG into Acal BFi of £0.4m; and a £0.8m provision for future acquisition earn-out payments to the former shareholders and managers of Myrra and Noratel.

ii) Restructuring costs of £1.7m, being the costs associated with the restructure of Acal BFi's UK business and the termination costs associated with the exit from its last significant low-margin commodity supplier.

Further details of exceptional costs can be found in Note 7 to the attached summary financial statements.

The £1.1m increase in the amortisation charge since last year relates to the intangibles identified as part of the acquisitions of Noratel and Foss. The equivalent charge for next year, including a full year's amortisation charge for the Noratel and Foss intangibles, is £3.0m.

**Net financing costs**

Net finance costs for the year of £1.8m (2013/14: £1.0m) comprise underlying finance costs of £1.6m (2013/14: £0.8m) and the IAS 19 pension finance charge of £0.2m (2013/14: £0.2m) relating to the Group's legacy defined benefit pension scheme.

Underlying finance costs consist of interest and facility fees arising from the Group's banking facilities during the year. Such costs for the year were up £0.8m to £1.6m following the partial debt funding of the Noratel acquisition in July 2014 and full debt funding of the Foss acquisition in January 2015. Included within underlying finance costs is the amortisation of the up-front arrangement fees associated with the Group's £70m revolving credit facility of approximately £0.2m per annum.

**Underlying tax rate**

The underlying effective tax rate for the year was 20%. This rate is higher than the underlying effective tax rate of 14% for last year, due to the underlying effective tax rates of the acquired Noratel and Foss businesses being higher than that of the Acal Group. In both years, the rates were lower than they would otherwise have been due to the favourable settlement of historic tax returns.

Overall, there was a reported tax charge of £1.4m on reported profits of £4.3m. The higher overall tax rate reflects the non-tax deductibility of certain exceptional costs, in particular the costs associated with the acquisitions of Noratel and Foss.

**Profit before tax and earnings per share**

Underlying profit before tax for the year of £11.8m represents an increase of £5.5m (87%) compared with the prior year (2013/14: £6.3m). With the higher underlying tax rate and the increased weighted average number of fully diluted shares (up 33% on last year from 45.9m shares to 60.9m shares due to the Noratel rights issue in July 2014), underlying diluted earnings per share for the year of 15.4 pence represents an increase of 31% compared with last year (2013/14: 11.8 pence). Over the last two years, underlying earnings per share has increased by 57%.

After including the underlying adjustments discussed above, reported profit before tax was £4.3m (2013/14: £4.2m) and reported diluted earnings per share for the year was 4.8 pence. Last year, diluted earnings per share from continuing operations was 8.1 pence, and including a loss after tax on discontinued operations of £2.4m (loss of 5.3 pence per share) full year earnings per share was 2.8 pence).

| £m/p | FY 2014/15 | | FY 2013/14 | |
|---|---|---|---|---|
| | PBT | EPS | PBT | EPS* |
| **Underlying** | 11.8 | 15.4p | 6.3 | 11.8p |
| Underlying adjustments | | | | |
| Exceptional items | (5.0) | | (0.7) | |
| Amortisation of acquired intangibles | (2.1) | | (1.0) | |
| IAS 19 pension cost | (0.4) | | (0.4) | |
| Ongoing operations | 4.3 | 4.8p | 4.2 | 8.1p |
| Discontinued operations | | | | (5.3p) |
| **Reported** | 4.3 | 4.8p | 4.2 | 2.8p |

* EPS data for years prior to the right issue adjusted by the bonus share factor of 1.3759 (see Note 19 to the attached summary financial statements).

**Working capital**

Working capital of £44.4m at 31 March 2015 was 13.6% of final quarter annualised sales. This ratio comprises:

i) Working capital of the Group (excluding Noratel and Foss) was 10.2% of final quarter annualised sales, up from the 9.9% reported in the prior year. Last year's working capital ratio benefited from a £3.2m customer prepayment on a project since completed. Excluding this prepayment, last year's comparable rate would have been 11.3%.

ii) Working capital of Noratel and Foss of 21.3% of final quarter annualised sales. This compares favourably with a working capital ratio of 27% for their years ended 31 December 2013 reported at the time of acquisition.

The combined Group working capital ratio of 13.6% is well below the 15% ratio indicated at the time of the Noratel acquisition, based on the proforma Group balance sheet, including Noratel. Group trade debtors and trade creditors outstanding at 31 March 2015 were similar to last year at 53 days and 60 days respectively; Group inventory turns were lower at 5.9 times reflecting the acquisitions of Noratel and Foss which as manufacturers, carry higher levels of inventory.

**Cash flow**

The Group had net debt of £19.0m at 31 March 2015 compared with net cash at 31 March 2014 of £2.3m. The movement primarily relates to the partial debt funding of the Noratel acquisition and the debt funding of the Foss acquisition:

| £m | FY 2014/15 | FY 2013/14 |
|---|---|---|
| Net cash at 1 April | 2.3 | 11.8 |
| Cash outflow from continuing operations (below) | (1.5) | (0.7) |
| Acquisitions/disposals (including costs) | (74.2) | (9.2) |

| | | |
|---|---|---|
| Net equity proceeds | 52.7 | - |
| Cash flow from discontinued operations | (0.2) | 0.9 |
| Foreign exchange impact | 1.9 | (0.5) |
| **Net (debt)/cash at 31 March** | **(19.0)** | **2.3** |

The cash outflow from continuing operations for the year of £1.5m is summarised in the table below. Net acquisition costs of £74.2m reflect the cost of acquiring Noratel and Foss (including acquisition costs of £2.3m), offset by the net proceeds received from the sale of Acal Enterprise Solutions Limited, the last business of the now discontinued Acal IT Supply Chain division. Net equity cash proceeds, raised for the purpose of acquiring Noratel, totalled £52.7m (being £55.1m gross proceeds less associated costs).

| **£m** | **FY 2014/15** | **FY 2013/14** | **FY 2012/13** |
|---|---|---|---|
| **Underlying profit before tax** | **11.8** | **6.3** | **5.0** |
| Finance cost | 1.6 | 0.8 | 0.5 |
| Non cash items[1] | 3.4 | 1.9 | 1.8 |
| **Underlying EBITDA** | **16.8** | **9.0** | **7.3** |
| Working capital[2] | (0.5) | (0.5) | (0.3) |
| Capital expenditure | (2.4) | (1.4) | (1.3) |
| **Operating cash flow** | **13.9** | **7.1** | **5.7** |
| Interest | (1.6) | (0.8) | (0.6) |
| Taxation | (3.3) | (0.9) | (1.4) |
| **Free cash flow** | **9.0** | **5.4** | **3.7** |
| Exceptional payments | (2.1) | (2.5) | (3.6) |
| Customer prepayment[2] | (3.2) | 0.6 | 2.6 |
| Legacy pension | (1.6) | (1.5) | (1.5) |
| Dividends | (3.6) | (2.7) | (2.3) |
| **Net cash outflow in the period** | **(1.5)** | **(0.7)** | **(1.1)** |
| | | | |
| **Free Cash Flow %** | **76%** | **86%** | **74%** |

1. Key non-cash items are depreciation, amortisation and share based payments
2. Excluding significant customer prepayment - see below

Underlying EBITDA of £16.8m was £7.8m (87%) higher than in the prior year. Capital expenditure of £2.4m was £1.0m higher than last year, reflecting investment in line expansions in our Design & Manufacturing division, principally Noratel and Myrra.

The working capital movement has been adjusted over the last three years for a significant customer prepayment of £3.2m received in two instalments (FY 2012/13: £2.6m and FY 2013/14: £0.6m), which was invoiced this year.

The increase in the tax cash payments of £2.4m principally reflects the acquisition of Noratel, which has a higher effective tax rate than the Acal Group. The increase in financing costs of £0.8m principally reflects the debt funding used in the Noratel and Foss acquisitions.

Free cash flow for the year totalled £9.0m and was £3.6m (67%) higher than last year and £5.3m higher than two years ago. This represents 76% of underlying profit before tax (2013/14: 86% and 2012/13: 74%). In total, £18.1m of free cash flow has been generated over the last three years representing 78% of underlying profit before tax during that period.

Exceptional cash payments in the year totalled £2.1m relating mainly to the costs of restructuring in Acal BFi UK and restructuring costs accrued last year. Further exceptional cash payments associated with costs accrued this year are expected to be £1.1m.

The dividend increase of £0.9m to £3.6m reflects the increase in dividend per share and the increased number of shares following the rights issue. The full impact of the rights issue on dividend cash payments will be seen next year when the run rate dividend cash cost (assuming no impact of future dividend increases) will be £4.8m. The Group will continue to monitor the level of future dividend increases to ensure there is sufficient cover.

**Banking facilities**

In July 2014, the Group's existing debt facilities of £20m were refinanced by a new five year revolving credit facility of £70m provided by a syndicate of three banks. The new facility was used to provide part of the funding for the Noratel acquisition in July 2014 and, subsequently, all the funding for the Foss acquisition in January 2015. It was also used to provide working capital for Noratel and Foss as well as to fund inter-month outflows of working capital across the Group. Such inter-month outflows resulted in a net average debt balance of £24m across the final quarter of this year following the acquisition of Foss.

With net debt at 31 March 2015 of £19.0m, the Group's gearing ratio (being the net debt to underlying EBITDA ratio) at 31 March 2015 was approximately 1.0 times on an adjusted EBITDA basis (that is, including pre-acquisition EBITDA of Noratel and Foss).

**Balance sheet**

Net assets of £92.7m at 31 March 2015 were £44.2m higher than at the end of the last financial year (31 March 2014: £48.5m), primarily related to the net equity fund raising of £53.5m to fund the acquisition of Noratel (of which £52.7m was raised from the rights issue and £0.8m from the management of Noratel). During the year, the Group has been adversely impacted by the translational impact of weaker currencies (principally Euros and NOKs), which reduced the balance sheet value of overseas net assets by £8.0m. The movement in net assets is summarised below:

| **£m** | **FY 2014/15** |
|---|---|

| | |
|---|---|
| Net assets at 1 April | 48.5 |
| Net equity funding | 53.5 |
| Net profit after tax | 2.9 |
| Share based payments (including tax) | 0.4 |
| Dividend paid | (3.6) |
| Actuarial loss on defined benefit scheme | (1.6) |
| Changes in fair value of cash flow hedges | 0.6 |
| Currency net assets - FX translation impact | (8.0) |
| **Net assets at 31 March** | **92.7** |

**Risks and uncertainties**

The principal risks faced by the Group will be covered in more detail in the Group's Annual Report, due to be published later this month. These risks include but are not limited to: the economic environment, particularly within Europe; the performance of acquired companies, including the recent acquisition of the Noratel Group; major business disruption; exposure to adverse foreign currency movements; technological change; regulatory environment; cyber security; international trade risk; obligations in respect of a legacy defined benefit pension scheme; loss of key personnel; and operational risks.

Acal's risk management processes cover identification, impact assessment, likely occurrence and mitigation actions. Some level of risk, however, will always be present. The Group is well positioned to manage such risks and uncertainties if they arise, with its strong balance sheet and committed banking facility of £70m at the end of the year.

**Simon Gibbins**
**Group Finance Director**

**2 June 2015**

**Consolidated income statement**
for the year ended 31 March 2015

| | notes | **2015 £m** | 2014 £m |
|---|---|---|---|
| ***Continuing operations*** | | | |
| **Revenue** | 6 | **271.1** | 211.6 |
| Cost of sales | | **(186.7)** | (148.6) |
| **Gross profit** | | **84.4** | 63.0 |
| Selling and distribution costs | | **(44.0)** | (36.5) |
| Administrative expenses (including exceptional items) | 7 | **(34.3)** | (21.3) |
| **Operating profit** | 6 | **6.1** | 5.2 |
| Finance revenue | | **0.1** | 0.2 |
| Finance costs | | **(1.9)** | (1.2) |
| **Profit before tax** | | **4.3** | 4.2 |
| Tax expense | | **(1.4)** | (0.5) |
| **Profit for the year from continuing operations** | | **2.9** | 3.7 |
| ***Discontinued operations*** | | | |
| Loss for the year from discontinued operations | 12 | **-** | (2.4) |
| **Profit for the year** | | **2.9** | 1.3 |
| **Earnings per share*** | 9 | | |
| Basic, profit from continuing operations | | **5.0p** | 8.6p |
| Diluted, profit from continuing operations | | **4.8p** | 8.1p |
| Basic, profit for the year | | **5.0p** | 3.0p |
| Diluted, profit for the year | | **4.8p** | 2.8p |

**Supplementary income statement information**

| **Underlying Performance Measure** | | **2015 £m** | 2014 £m |
|---|---|---|---|
| Operating profit | | **6.1** | 5.2 |
| Add back: Exceptional items | 7 | **5.0** | 0.7 |
| Amortisation of acquired intangible assets | | **2.1** | 1.0 |

| | | | |
|---|---|---|---|
| IAS 19 pension administrative charge | | **0.2** | 0.2 |
| **Underlying operating profit** | | **13.4** | 7.1 |
| | | | |
| Profit before tax | | **4.3** | 4.2 |
| Add back: Exceptional items | 7 | **5.0** | 0.7 |
| Amortisation of acquired intangible assets | | **2.1** | 1.0 |
| Total IAS 19 pension charge | | **0.4** | 0.4 |
| **Underlying profit before tax** | | **11.8** | 6.3 |
| | | | |
| **Underlying earnings per share*** | 9 | | |
| Basic | | **16.3p** | 12.5p |
| Diluted | | **15.4p** | 11.8p |

* Prior year earnings per share (basic and diluted) restated to reflect the bonus element of the rights issue (note 19).

**Consolidated statement of comprehensive income**
for the year ended 31 March 2015

| | **2015 £m** | 2014 £m |
|---|---|---|
| **Profit for the year** | **2.9** | 1.3 |
| Other comprehensive income: | | |
| *Items that will not be subsequently reclassified to profit or loss:* | | |
| Actuarial loss on defined benefit pension scheme | **(2.0)** | (1.1) |
| Deferred tax relating to defined benefit pension scheme | **0.4** | 0.1 |
| | **(1.6)** | (1.0) |
| *Items that may be subsequently reclassified to profit or loss:* | | |
| Exchange differences on translation of foreign subsidiaries | **(8.0)** | (1.8) |
| Effective portion of changes in fair value of cash flow hedges | **0.6** | - |
| **Other comprehensive loss for the year, net of tax** | **(9.0)** | (2.8) |
| **Total comprehensive loss for the year, net of tax** | **(6.1)** | (1.5) |

**Consolidated statement of financial position**

at 31 March 2015

| | notes | 2015 £m | 2014 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **13.8** | 3.5 |
| Intangible assets - goodwill | 15 | **51.6** | 21.2 |
| Intangible assets - other | | **18.3** | 4.3 |
| Deferred tax assets | | **4.9** | 4.1 |
| | | **88.6** | 33.1 |
| **Current assets** | | | |
| Inventories | | **39.8** | 19.4 |
| Trade and other receivables | | **60.2** | 48.3 |
| Other financial assets | | **0.6** | - |
| Cash and cash equivalents | | **26.7** | 18.1 |
| | | **127.3** | 85.8 |
| **Assets in disposal group classified as held for sale** | 12 | **-** | 6.9 |
| **Total assets** | | **215.9** | 125.8 |
| **Current liabilities** | | | |
| Trade and other payables | | **(56.2)** | (45.7) |
| Other financial liabilities | | **(0.2)** | (6.8) |
| Current tax liabilities | | **(2.3)** | (2.7) |
| Provisions | | **(3.4)** | (1.7) |
| | | **(62.1)** | (56.9) |
| **Non-current liabilities** | | | |
| Other financial liabilities | | **(45.5)** | (9.5) |
| Pension liability | 17 | **(7.4)** | (6.5) |
| Provisions | | **(2.7)** | (2.0) |
| Deferred tax liabilities | | **(5.5)** | (1.0) |
| | | **(61.1)** | (19.0) |
| **Liabilities in disposal group classified as held for sale** | 12 | **-** | (1.4) |
| **Total liabilities** | | **(123.2)** | (77.3) |
| **Net assets** | | **92.7** | 48.5 |
| **Equity** | | | |
| Share capital | 16 | **3.1** | 1.6 |
| Share premium | | **92.7** | 40.7 |
| Merger reserve | | **3.0** | 3.0 |
| Currency translation reserve | | **(7.8)** | 0.2 |
| Retained earnings | | **1.7** | 3.0 |
| **Total equity** | | **92.7** | 48.5 |

These financial statements were approved by the Board of Directors on 2 June 2015 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 2015

| | 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 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 loss | - | - | - | - | (1.8) | (1.0) | (2.8) |
| Total comprehensive loss | - | - | - | - | (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** |
| Profit for the year | - | - | - | - | - | 2.9 | 2.9 |
| Other comprehensive loss | - | - | - | - | (8.0) | (1.0) | (9.0) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total comprehensive loss | - | - | - | - | (8.0) | 1.9 | (6.1) |
| Shares issued (note 16) | 1.5 | 54.4 | - | - | - | - | 55.9 |
| Share issue costs (note 16) | - | (2.4) | - | - | - | - | (2.4) |
| Share-based payments including tax | - | - | - | - | - | 0.4 | 0.4 |
| Equity dividends (note 8) | - | - | - | - | - | (3.6) | (3.6) |
| **At 31 March 2015** | **3.1** | **92.7** | **-** | **3.0** | **(7.8)** | **1.7** | **92.7** |

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1 million (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014.

On 17 July 2014, the Company issued 384,966 shares ("Consideration Shares") to the management sellers of the Noratel Group in connection with the Noratel Group's acquisition. The fair value of the shares issued was £0.8m.

The total number of shares in issue following the rights issue and the issue of the Consideration Shares are 63,049,220 shares.

The difference between the nominal value of the shares issued and the gross proceeds has been credited to the share premium account. The directly attributable transaction costs of £2.4m related to the issue of shares have been debited to the share premium account.

**Consolidated statement of cash flows**
for the year ended 31 March 2015

| | notes | **2015 £m** | 2014 £m |
|---|---|---|---|
| **Net cash flow from operating activities** | 14 | **1.6** | 4.1 |
| **Investing activities** | | | |
| Acquisition of shares in subsidiaries (net of cash/(debt) acquired) | 10 | **(42.7)** | (12.5) |
| Proceeds from the disposal of business (net of disposal costs) | 11 | **5.3** | 3.3 |
| Purchase of property, plant and equipment | | **(2.2)** | (0.7) |
| Purchase of intangible assets - software | | **(0.3)** | (0.7) |
| Proceeds from disposal of property plant and equipment | | **0.1** | - |
| Interest received | | **0.1** | 0.2 |
| **Net cash used in investing activities** | | **(39.7)** | (10.4) |
| **Financing activities** | | | |
| Net proceeds from the issue of shares | 16 | **52.7** | - |
| Proceeds from borrowings | | **56.2** | 8.0 |
| Repayment of borrowings | | **(51.2)** | (0.8) |
| Dividends paid | 8 | **(3.6)** | (2.7) |
| **Net cash from financing activities** | | **54.1** | 4.5 |
| **Net decrease in cash and cash equivalents** [1] | | **16.0** | (1.8) |
| Cash and cash equivalents at 1 April | | **11.9** | 14.4 |
| Effect of exchange rate fluctuations | | **(1.3)** | (0.7) |
| **Cash and cash equivalents at 31 March** | | **26.6** | 11.9 |
| **Reconciliation to cash and cash equivalents in the consolidated statement of financial position** | | | |
| Cash and cash equivalents shown above | | **26.6** | 11.9 |
| Add back: bank overdrafts | | **0.1** | 6.7 |
| 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 | | **26.7** | 18.1 |

## 1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 2 June 2015. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies whereas those for 2015 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 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.

## 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 EBITDA**

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

**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.

**Free cash flow**

"Free cash flow" is defined as net cash flow from continuing operations before the payment/receipt 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, annualised for acquisitions, 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 Review and Finance Review of the Strategic Report means at constant exchange rates excluding this year's acquisitions of Noratel (acquired 17 July 2014) and Foss (acquired 7 January 2015), and excluding YEG and RSG which were acquired during the prior year (on 30 August 2013 and 2 December 2013 respectively).

## 6. Segmental Reporting

During the year the Group completed the disposal of its Supply Chain Division with the sale of its last remaining business (the "Enterprise Business"). As the sale of the Enterprise Business was committed before the year ending 31 March 2014, the Supply Chain division was disclosed as a discontinued business for accounting purposes and not disclosed as a reported segment in the 2013/14 Annual Accounts. The Electronics segment was the only reported operating segment.

As a result of the disposal of the Supply Chain division and the major acquisition of Noratel, the Group has reviewed its internal reporting to the Chief Operating Decision Maker (CODM - identified as the Board) and in line with the Group's stated strategy in the 2013/14 Annual Accounts, has organised its businesses into two divisions, Custom Distribution and Design & Manufacturing.

- The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products to the industrial market, from a range of high-quality, international suppliers (often on an exclusive basis) and from Acal's Design &

Manufacturing division.

- The Design & Manufacturing division supplies electronic products which are principally either designed uniquely for a customer or specifically modified from an existing product. The products are mostly manufactured at one of the in-house manufacturing facilities, or in some cases contracted out to third parties.

These two divisions have been assessed as the reportable operating segments of the Group. Within each reportable operating segment are aggregated businesses units with similar characteristics such as the method of acquiring products for sale (manufacturing versus distribution), the nature of customers and products, risk profile and economic characteristics.
Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is reported and evaluated based on operating profit or loss earned by each segment without allocation of central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense.

**Segment revenue and results**

| 2015 | Custom Distribution £m | Design & Manufacturing £m | Unallocated £m | Total £m |
|---|---|---|---|---|
| **Revenue** | **169.7** | **101.4** | **-** | **271.1** |
| **Result** | | | | |
| Underlying operating profit/(loss) | 6.7 | 11.4 | (4.7) | 13.4 |
| Exceptional items - Earn-outs | - | (0.8) | - | (0.8) |
| Exceptional items - acquisition and related integration costs | (0.4) | (2.1) | - | (2.5) |
| Exceptional items - restructuring | (1.7) | - | - | (1.7) |
| Amortisation of acquired intangible assets | (0.5) | (1.6) | - | (2.1) |
| IAS 19 pension charge | - | - | (0.2) | (0.2) |
| **Operating profit/(loss)** | **4.1** | **6.9** | **(4.9)** | **6.1** |

| 2014 | Custom Distribution £m | Design & Manufacturing £m | Unallocated £m | Total £m |
|---|---|---|---|---|
| **Revenue** | **173.1** | **38.5** | **-** | **211.6** |
| **Result** | | | | |
| Underlying operating profit/(loss) | 6.8 | 4.6 | (4.3) | 7.1 |
| Exceptional items - acquisition and related integration costs | (0.6) | (1.1) | - | (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 | (0.5) | (0.5) | - | (1.0) |
| IAS 19 pension charge | - | - | (0.2) | (0.2) |
| **Operating profit/(loss)** | **6.7** | **3.0** | **(4.5)** | **5.2** |

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

| | Revenue from external customers | |
|---|---|---|
| | **2015 £m** | 2014 £m |
| UK | **49.9** | 49.9 |
| Europe | **186.9** | 143.7 |
| Rest of the World | **34.3** | 18.0 |
| | **271.1** | 211.6 |

## 7. Exceptional items

| | | 2015 £m | 2014 £m |
|---|---|---|---|
| Earn-outs | (a) | **(0.8)** | (0.3) |
| Acquisition and related integration costs | (b) | **(2.5)** | (1.4) |
| Acal BFi restructuring costs | (c) | **(1.7)** | (0.5) |
| Gain on acquisition of YEG | (d) | **-** | 1.5 |
| Net exceptional items (included within administrative expenses) | | **(5.0)** | (0.7) |
| Tax impact of exceptional items above | | **0.1** | - |
| Exceptional items after tax | | **(4.9)** | (0.7) |

a) A £0.6m charge was provided for the earn-out relating to the acquisition of the Myrra Group. A £0.2m charge was provided for the earn-out

relating to the Noratel Group acquisition. Last year, the earn-out charge was in relation to the Myrra Group only. The overall earn-out payment to Myrra is due for payment in 2016.

b) Acquisition and related integration costs relate mainly to the acquisition of the Noratel and Foss Groups and residual costs relating to the integration of YEG into Acal BFi.

Last year, the acquisition and related integration costs related mainly to the acquisition of the Myrra Group, YEG and RSG.

c) The Acal BFi business undertook a restructuring programme to improve organisational efficiency in the business, mainly in the UK. As a result redundancy costs of £1.7m were incurred during the year, of which a £0.4m charge was incurred in respect of the termination of a major non-specialist supplier. These costs, due to their size and nature, have been included within exceptional items.

Last year, the restructuring costs comprised redundancy costs of £0.4m and a provision of £0.1m in respect of onerous property costs.

d) The gain on acquisition of YEG in the prior year was the difference between the net consideration and fair value of the assets acquired.

## 8. Dividends

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

| | **2015 £m** | 2014* £m |
|---|---|---|
| Equity dividends on ordinary shares: | | |
| Final dividend for the year ended 31 March 2014 of 5.0p (2013: 4.4p) | **2.1** | 1.9 |
| Interim dividend for the year ended 31 March 2015 of 2.2p (2014: 1.8p) | **1.5** | 0.8 |
| **Total amounts recognised as equity distributions during the year** | **3.6** | 2.7 |

| **Proposed for approval at AGM:** | **2015 £m** | 2014 £m |
|---|---|---|
| Equity dividends on ordinary shares: | | |
| Final dividend for the year ended 31 March 2015 of 5.4p (2014: 5.0p) | **3.4** | 2.1 |

| **Summary** | | |
|---|---|---|
| Dividends per share declared in respect of the year | **7.6p** | 6.8p |
| Dividends per share paid in the year | **7.2p** | 6.2p |
| Dividends paid in the year | **£3.6m** | £2.7m |

*The dividend per share for prior periods has been restated to reflect the bonus element of the rights issue. Refer to note 19 for more details.

## 9. Earnings per share

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

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

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| Profit for the year attributable to equity holders of the parent: | | |
| Continuing operations | **2.9** | 3.7 |
| Discontinued operations | **-** | (2.4) |
| **Profit for the year** | **2.9** | 1.3 |

| | **No** | No |
|---|---|---|
| Weighted average number of shares for basic earnings per share* | 57,631,407 | 43,084,582 |
| Effect of dilution - share options* | 3,318,230 | 2,825,423 |
| **Adjusted weighted average number of shares for diluted earnings per share** | **60,949,637** | 45,910,005 |

| | | |
|---|---|---|
| Basic earnings per share from continuing operations | **5.0p** | 8.6p |
| Diluted earnings per share from continuing operations | **4.8p** | 8.1p |
| Basic earnings per share | **5.0p** | 3.0p |
| Diluted earnings per share | **4.8p** | 2.8p |

At the year end, there were 4,194,192 ordinary share options in issue that could potentially dilute earnings per share in the future, of which 3,318,230 are currently dilutive (2014: 3,586,808 in issue and 2,825,423 dilutive).

Underlying earnings per share is calculated as follows:

| **Continuing operations** | **2015 £m** | 2014 £m |
|---|---|---|
| **Earnings for the year** | **2.9** | 3.7 |
| Exceptional items | **5.0** | 0.7 |
| Amortisation of acquired intangible assets | **2.1** | 1.0 |
| IAS 19 pension charge | **0.4** | 0.4 |
| Tax effect of the above | **(1.0)** | (0.4) |
| Underlying earnings on continuing operations | **9.4** | 5.4 |

| | **No** | No |
|---|---|---|
| Weighted average number of shares for basic earnings per share* | 57,631,407 | 43,084,582 |

| | | |
|---|---|---|
| Effect of dilution - share options* | 3,318,230 | 2,825,423 |
| **Adjusted weighted average number of shares for diluted earnings per share** | **60,949,637** | 45,910,005 |
| | | |
| Underlying basic earnings per share on continuing operations | **16.3p** | 12.5p |
| Underlying diluted earnings per share on continuing operations | **15.4p** | 11.8p |

At the year end, there were 4,194,192 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 3,318,230 are currently dilutive (2014: 3,586,808 in issue and 2,825,423 dilutive).

*The prior year number of shares (basic and diluted) have been restated to reflect the bonus element of the rights issue. Refer to note 19 for details.

## 10. Business combinations

During the year, the Group completed the acquisitions of two businesses namely: Foss AS Fiberoptisk Systemsalg ("Foss") on 7 January 2015 andTrafo Holding AS ("Trafo" or "the Noratel Group" or "Noratel") on 17 July 2014. These acquisitions have signifcantly expanded the Group's design and manufacturing capabilities.

The net cash flow on the acqusitions (including net cash/(debt) acquired and before transaction costs) during the year was £42.7m.

*Acquisition of Foss*

On 7 January 2015, the Group completed the acquisition of 100% of the share capital and voting equity interests of Foss for an upfront cash consideration of £8.0m (NOK93m). An additional £0.5m (NOK5.8m) was paid in April 2015 to the vendor in relation to the working capital settlement pursuant to the Sale and Purchase Agreement. The net cash consideration therefore paid to the seller was £8.5m (NOK98.8m). Foss owns 100% of the share capital and voting equity interests of Optocon technologies s.r.o ("Optocon"), based in Slovakia.

Foss, which has operations in Norway and Slovakia, is a leading designer and manufacturer of customised fibre optic cabling which enables high speed communication, increasingly required in industrial as well as telecommunication applications. With approximately 100 staff, the business operates within the Group's Design & Manufacturing division.

In addition to the upfront cash consideration above, a contingent consideration of up to £0.4m (NOK5m) is payable to the seller based on the financial performance of Foss for the year ending 31 December 2015. The fair value of the contingent consideration at acquisition was estimated to be £0.3m (NOK3m). There was no change to the fair value as at 31 March 2015.

An earn-out of up to a maximum of £1.3m (NOK15m) is payable to certain Foss management sellers based on the financial performance of Foss for the year ended 31 December 2017 and the continued employment of certain management sellers for the two year period ending 31 December 2017.

The provisional fair values of the identifiable assets and liabilities of Foss at the date of acquisition were as follows. The fair values will be finalised in the year ending 31 March 2016 following the completion of management's assessment.

| | **Provisional fair value recognised at acquisition £m** |
|---|---|
| Property, plant and equipment | 0.4 |
| Intangible assets - customer relationships | 3.3 |
| Inventories | 1.8 |
| Trade and other receivables | 2.4 |
| Cash and cash equivalents | 0.9 |
| Trade and other payables | (2.0) |
| Other financial liabilities | (1.6) |
| Current tax liabilities | (0.5) |
| Provisions (current) | (0.4) |
| Deferred tax liabilities | (0.9) |
| **Total identifiable net assets** | **3.4** |
| **Provisional Goodwill arising on acquisition** | **5.4** |
| **Total investment** | **8.8** |
| | |
| Discharged by: | |
| Cash | 8.0 |
| Working capital settlement paid in April 2015 | 0.5 |
| Contingent cash consideration | 0.3 |
| | **8.8** |

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 £5.4m 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 | 8.0 |
| Transaction costs of the acquisition (included in cash flows from operating activities)* | 0.2 |
| Net debt acquired (included in cash flows from investing activities) | 0.7 |
| | **8.9** |

*Transaction costs of £0.2m were expensed as incurred in the year ending 31 March 2015 and were included as an exceptional item within administrative expenses (note 7).

*Acquisition of the Noratel Group*

On 17 July 2014, the Group completed the acquisition of 100% of the share capital and voting equity interests of the Noratel Group for an initial consideration of £70.9m (NOK735m) being: (i) cash consideration of £35.6m (NOK369m) and consideration shares in Acal Plc with a fair value of £0.8m (NOK8m); (ii) settlement of the long term debt of £34.5m (NOK358m) acquired on acquisition, funded partly from the proceeds of the rights issue (see note 19) and partly refinanced with the Group's revolving credit facility.

In addition, as part of the purchase negotiations, the Company has put in place an earn-out arrangement for certain management sellers based on the financial performance of the Noratel Group over the three year period to 31 March 2017 worth up to a maximum of NOK12m (£1.1m). Earn-out expense of £0.2m attributable to this year has been recognised as an expense in the consolidated income statement, and presented as an exceptional item.

The Noratel Group is a global designer and manufacturer of electromagnetic products, specifically of low, medium and high power transformers and chokes. Noratel has a broad customer base in Europe, Asia and increasingly in North America, and has become a preferred supplier to leading international OEMs in various markets. It has a well established position supplying the industrial, renewable energy, medical and oil and gas sectors.

The provisional fair value of the identifiable assets and liabilities of the Noratel Group at the date of acquisition were as follows. The fair values will be finalised in the year ending 31 March 2016 following the completion of management's assessment.

| | Provisional fair value recognised at acquisition £m |
|---|---|
| Property, plant and equipment | 9.9 |
| Intangible assets - other | 1.2 |
| Intangible assets - customer relationships | 13.9 |
| Deferred tax asset (non-current) | 0.5 |
| Inventories | 16.8 |
| Trade and other receivables | 14.9 |
| Cash and cash equivalents | 1.6 |
| Trade and other payables | (12.1) |
| Other financial liabilities (current) | (34.5) |
| Current tax liabilities | (0.6) |
| Provisions (current) | (1.5) |
| Deferred tax liabilities (non-current) | (4.9) |
| **Total identifiable net assets** | **5.2** |
| **Provisional goodwill arising on acquisition** | **31.2** |
| **Total investment** | **36.4** |
| | |
| *Discharged by* | |
| Cash | 35.6 |
| Shares | 0.8 |
| | **36.4** |

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 £31.2m 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 respect of the acquisition comprise:

| | Total £m |
|---|---|
| Cash consideration | 35.6 |
| Transaction costs of the acquisition (included in cash flows from operating activities)* | 2.1 |
| Cash acquired | (1.6) |
| Debt settled on acquisition | 34.5 |
| | **70.6** |

*Transaction costs of £2.1m were expensed as incurred in the year ending 31 March 2015 and were included as an exceptional item within administrative expenses (note 7).

## 11. Disposals

*Disposal of Enterprise Business*

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), 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 management team of AES participated, for a cash consideration of £6.0m, of which £0.3m was deferred, at the purchasers' option, until no later than 31 December 2014. The deferred consideration of £0.3m was received in December 2014.

The disposal generated a loss of £0.1m, which is summarised below:

| | **£m** |
|---|---|
| Net cash consideration | 6.0 |
| Net assets disposed of | (5.7) |
| Transaction costs | (0.4) |
| **Loss on disposal** | **(0.1)** |

*Consideration received*

| | **£m** |
|---|---|
| Net upfront cash consideration received | 5.7 |
| Deferred consideration | 0.3 |
| **Net cash consideration received** | **6.0** |

*Net assets disposed of*

| | **£m** |
|---|---|
| Property, plant and equipment | 0.3 |
| Intangible assets - goodwill | 2.4 |
| Intangible assets - other | 0.1 |
| Inventories | 1.9 |
| Trade and other receivables | 1.5 |
| Cash | 0.3 |
| Trade and other payables | (0.8) |
| **Net assets disposed of** | **5.7** |

*Net cash inflow on disposal*

| | **£m** |
|---|---|
| Cash consideration | 6.0 |
| Cash disposed | (0.3) |
| Transaction costs | (0.4) |
| **Net cash inflow on disposal** | **5.3** |

## 12. Discontinued operations

On 2 June 2014, the Company completed the disposal of 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 of the Enterprise Business was in addition to the disposal of the European Parts business and the UK Parts business in the year ending 31 March 2014 and year ending 31 March 2013 respectively. With the Enterprise Business being the last remaining company in the Supply Chain Division, the Division has been accounted for as a discontinued operation for the current and prior year.

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| Revenue | **1.1** | 17.9 |
| Expenses | **(1.0)** | (16.7) |
| Operating profit | **0.1** | 1.2 |
| Impairment loss recognised on the re-measurement to fair value less costs of disposal* | **-** | (3.3) |
| Loss on disposal of business (note 11) | **(0.1)** | (0.2) |
| Loss before tax from discontinued operations | **-** | (2.3) |
| Tax expense | **-** | (0.1) |
| Loss for the year from discontinued operations | **-** | (2.4) |

*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**

| | **2015** | 2014 |
|---|---|---|
| Basic loss per share on discontinued operations | **-** | (5.6)p |
| Diluted loss per share on discontinued operations | **-** | (5.6)p |

*Cash flows relating to discontinued operations*

| | **2015 £m** | 2014 £m |
|---|---|---|
| Net cash (outflow)/inflow from operating activities | **(0.2)** | 1.0 |
| Net cash outflows from investing activities | **-** | (0.1) |
| **Net (decrease)/increase in cash and cash equivalents** | **(0.2)** | 0.9 |

*The prior year earnings per share (basic and diluted) have been restated to reflect the bonus element of the rights issue (note 19).

*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:

| | **2015 £m** | 2014 £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 2015**

| | 31 March 2014 £m | Cash flow £m | Foreign exchange £m | 31 March 2015 £m |
|---|---|---|---|---|
| Cash at bank and in hand | 18.6 | 10.2 | (2.1) | **26.7** |
| Bank overdrafts | (6.7) | 5.8 | 0.8 | **(0.1)** |
| Cash and cash equivalents | 11.9 | 16.0 | (1.3) | **26.6** |
| | | | | |
| Bank loans under one year | (0.1) | (1.3) | 1.3 | **(0.1)** |
| Bank loans over one year | (9.5) | (37.9) | 1.9 | **(45.5)** |
| Total loan capital | (9.6) | (39.2) | 3.2 | **(45.6)** |
| | | | | |
| **Net cash** | **2.3** | **(23.2)** | **1.9** | **(19.0)** |

Included in net debt cash flow of £39.2m is £34.5m of long term debt acquired as part of the acquisition of Noratel. This debt was partially settled with proceeds of equity raised and partially refinanced with the revolving credit facility.

**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 |
| 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 |

**Supplementary information to the statement of cash flows**

**Underlying Performance Measure**

| **Continuing operations** | **2015 £m** | 2014* £m |
|---|---|---|
| (Decrease)/increase in net cash | **(23.2)** | (9.0) |
| Add: Business combinations | **79.5** | 12.5 |
| Exceptional cash flow | **2.1** | 2.5 |
| Legacy pension scheme funding | **1.6** | 1.5 |
| Customer prepayment | **3.2** | (0.6) |
| Dividends paid | **3.6** | 2.7 |
| Less: Net proceeds from share issue | **(52.7)** | - |
| Net proceeds from disposal of business | **(5.3)** | (3.3) |

| | | |
|---|---|---|
| Cash flows from discontinued operations | **0.2** | (0.9) |
| **Free cash flow** | **9.0** | 5.4 |

*Restated to adjust for discontinued operations and exceptional customer prepayment.

## 14. Reconciliation of cash flows from operating activities

| | **2015 £m** | 2014 £m |
|---|---|---|
| Profit from continuing operations | **2.9** | 3.7 |
| Loss from discontinued operations | **-** | (2.4) |
| **Profit for the year** | **2.9** | 1.3 |
| Tax expense | **1.4** | 0.6 |
| Net finance costs | **1.8** | 1.0 |
| Gain on business acquisition | **-** | (1.5) |
| Impairment of goodwill | **-** | 3.3 |
| Depreciation of property, plant and equipment | **2.1** | 1.1 |
| Amortisation of intangible assets - other | **2.6** | 1.3 |
| Loss on disposal of intangible assets | **0.1** | - |
| Change in provisions | **0.3** | (0.2) |
| Loss on disposal of business | **0.1** | 0.2 |
| Pension scheme funding | **(1.6)** | (1.5) |
| IAS 19 pension administration charge | **0.2** | 0.2 |
| Equity-settled share based payment expense | **0.6** | 0.6 |
| **Operating cash flows before changes in working capital** | **10.5** | 6.4 |
| (Increase)/decrease in inventories | **(2.3)** | 0.8 |
| Decrease/(increase) in trade and other receivables | **1.1** | (3.9) |
| (Decrease)/increase in trade and other payables | **(2.7)** | 2.7 |
| Increase in working capital | **(3.9)** | (0.4) |
| **Cash generated from operations** | **6.6** | 6.0 |
| Interest paid | **(1.7)** | (1.0) |
| Income taxes paid | **(3.3)** | (0.9) |
| **Net cash flow from operating activities** | **1.6** | 4.1 |

## 15. Intangible assets - goodwill

| Cost | £m |
|---|---|
| At 1 April 2013 | 63.1 |
| Reclassified to asset held for sale | (11.0) |
| Arising from business combinations | 6.3 |
| Exchange adjustments | (0.4) |
| At 31 March 2014 | 58.0 |
| Arising from business combinations | 36.6 |
| Exchange adjustments | (6.2) |
| **At 31 March 2015** | **88.4** |

| Impairment | £m |
|---|---|
| At 1 April 2013 | (42.1) |
| Reclassified to assets held for sale | 5.3 |
| **At 31 March 2014 and 31 March 2015** | **(36.8)** |

| | |
|---|---|
| **Net book value at 31 March 2015** | **51.6** |
| Net book value at 31 March 2014 | 21.2 |

The carrying value of goodwill is analysed as follows:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Custom Distribution | | |
| Acal BFi UK | **3.3** | 3.3 |
| Compotron | **4.4** | 4.9 |
| Medical | **0.6** | 0.6 |
| Design & Manufacturing | | |
| Stortech | **3.6** | 3.6 |
| Hectronic | **0.5** | 0.6 |
| MTC | **1.9** | 2.0 |
| Myrra | **4.3** | 5.0 |

| | | |
|---|---|---|
| RSG | **1.0** | 1.2 |
| Noratel | **26.8** | - |
| Foss | **5.2** | - |
| | **51.6** | 21.2 |

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

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 2016 budget and management projections thereon. Average annual revenue growth rates between 5% and 10% (2014: between 5% 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% (2014: 2%) for all CGUs in line with the average long-term growth rate for the relevant markets.

## 16. Share capital

| Allotted, called up and fully paid | **2015 Number** | **2015 £m** | 2014 Number | 2014 £m |
|---|---|---|---|---|
| Ordinary shares of 5p each | **63,049,220** | **3.1** | 31,332,127 | 1.6 |

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1 million (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014.

On 17 July 2014, the Company issued 384,966 shares ("Consideration Shares") to the management sellers of the Noratel Group in connection with the Noratel Group's acquisition. The fair value of the shares issued was £0.8m.

The total number of shares in issue following the rights issue and the issue of the Consideration Shares are 63,049,220 shares. All new shares carry the same rights as the existing ordinary shares.

The difference between the nominal value of the shares issued and the gross proceeds has been credited to the share premium account. The directly attributable transaction costs of £2.4m related to the issue of shares have been debited to the share premium account.

## 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 19.

The pension liability at 31 March 2015 was £6.8m (2013: £5.7m) and total pension charge was £0.4m (2012: £0.4m). Additionally, a related deferred tax liability of £0.6m (2013: £0.8m) is included in the pension liability resulting in total liability of £7.4m (2013: £6.5m)

## 18. Events after the reporting date

*Dividend*

A final dividend of 5.4p per share (2014: 5.0p), amounting to a dividend of £3.4m (2014: £2.1m) and bringing the total dividend for the year to 7.6p (2014: 6.8p), was declared by the Board on 27 May 2015. The Acal plc financial statements do not reflect this dividend.

## 19. Restatement of prior period earnings per share and dividends per share

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1m (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014. As a result of the rights issue, the prior period number of shares (basic and diluted) have been restated to reflect the bonus element of the rights issue representing an increase of 1.3759. A reconciliation between the reported and restated earnings per share from continuing operations and dividend per share for the year ended 31 March 2014 is set out below:

| | **£m** |
|---|---|
| **Underlying profit after tax** | **5.4** |
| **Profit after tax** | **3.7** |

| Weighted average number of shares | Reported No | **Restated No** |
|---|---|---|
| - basic | 31,314,052 | **43,084,582** |
| - diluted | 33,367,581 | **45,910,005** |

| | | |
|---|---|---|
| **Underlying earnings per share** | | |
| **- basic** | 17.2p | **12.5p** |
| **- diluted** | 16.2p | **11.8p** |

| | | |
|---|---|---|
| **Earnings per share** | | |
| **- basic** | 11.8p | **8.6p** |
| **- diluted** | 11.1p | **8.1p** |
| **Dividend per share** | 9.3p | **6.8p** |

## 20. 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 2015** | | Year to 31 March 2014 | |
|---|---|---|---|---|
| | **Closing rate** | **Average rate** | Closing rate | Average rate |
| US dollar | **1.4793** | **1.6135** | 1.6648 | 1.5904 |
| Euro | **1.3750** | **1.2751** | 1.2074 | 1.1862 |

## 21. Annual Report and Accounts

The Annual Report and Accounts will be mailed to shareholders and made available on the company's website (www.acalplc.co.uk) on or before 27 June 2015. Copies will also be available at the company's registered office: 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, GU2 7AH.

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[1] Further information on the consolidated statement of cash flows is provided in notes 13 and 14.

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