Final Results

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ACAL plc

Preliminary results for the year ended 31 March 2017

Strong second half, excellent cash flow and record order book

Acal plc (LSE: ACL, "Acal" or "the Group"), a leading international supplier of customised electronics to industry, today announces its results for the year ended 31 March 2017.

	FY 2016/17	FY 2015/16	Growth%	CER[2] Growth%
Revenue	**£338.2m**	£287.7m	+18%	+6%
Underlying operating profit[1]	**£20.0m**	£16.3m	+23%	+5%
Underlying profit before tax[1]	**£17.2m**	£14.5m	+19%	
Underlying EPS[1]	**19.2p**	17.0p	+13%	
Reported profit before tax*	**£4.8m**	£9.4m	-49%	
Reported fully diluted EPS*	**5.1p**	10.9p	-53%	
Operating cash flow[4]	**£27.1m**	£16.3m	+66%	
Full year dividend per share	**8.5p**	8.05p	+6%	

** Includes the cost of the Group's previously announced efficiency and cost reduction programme*

Highlights

- Sales & order growth accelerating through the second half
  - Full year sales increased 18% (6% CER)
  - Second half organic sales grew[3] 6%, and orders 7%
  - Year-end order book up 22% CER, and 13% organically, at £109m
- Growing underlying operating profitability & increased efficiency
  - Underlying operating profit up 23%
  - Efficiency programme generates £4m annualised benefits (£6.4m one-off costs)
- Underlying earnings per share up 13%
- Excellent operating cash flow[4] which increased by 66% to £27.1m
  - Gearing reduced to 1.2x
- Full year dividend increased by 6%
  - Seventh consecutive year of increased dividend (+67% overall)
- Good operational progress in line with key strategic and performance targets
  - Design & Manufacturing ("D&M") sales account for 52% of Group revenue (FY 2015/16: 48%)

- Cross-selling sales growth of 53%
- International sales grow to 19% (FY 2015/16: 17%)

- Variohm acquired in January 2017 and performing very well, with first cross-selling design win achieved

- Strong trading momentum continues in the new year
  - Further good organic growth in Q1 sales and orders
  - Developing acquisition opportunities

Nick Jefferies, Group Chief Executive, commented:

"As expected, the second half of the year saw accelerating levels of organic growth in sales and orders, and excellent cash flow. This strong momentum has continued into the new financial year which we entered with an order book 22% higher at CER than the prior year, and which is driving further good growth in this first quarter as the order book converts into sales.

Our efficiency plan has been implemented, delivering £4m in sustainable annual savings and at a better than anticipated cost of implementation.

Variohm Group, acquired in January 2017, is performing very well. Cross-selling activities are underway with a number of exciting opportunities identified and our first design win has been achieved, ahead of plan.

This is the seventh consecutive year in which the dividend has increased - an increase of 67% in total, reflecting the transformation of the Group over this period. In the last four years alone, revenues have almost doubled and underlying operating profits quadrupled. We plan to continue this strong rate of progress through further organic growth and high quality acquisitions over the next five years."

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Notes:

(1) 'Underlying Operating Profit', 'Underlying EBITDA', '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 exceptional costs of £6.9m, acquisition related costs (including earnouts) of £1.2m, amortisation of acquired intangible assets of £3.9m and the IAS19 pension charge relating to a legacy defined benefit scheme of £0.4m; totalling £12.4m for FY 2016/17. Equivalent adjustments within the FY 2015/16 underlying results totalled £5.1m. For further information see note 5 of the attached summary financial statements

(2) Growth rates at constant exchange rates ("CER"). Unless stated, growth rates refer to the comparable prior year period. The average sterling rate of exchange weakened 13% against the Euro compared with the average rate for last year (falling from €1.367 to €1.192), weakened 13% against the US Dollar and weakened 12% against Nordic currencies on average.

(3) Organic growth for the Group is calculated at CER, including the equivalent pre-acquisition periods of Flux, Contour and Plitron which were acquired last financial year (on 5 November 2015, 7 January 2016 and 1 February 2016 respectively), and Variohm which was acquired this financial year on 20 January 2017, and excluding the sales from Acal BFi Spain which was closed in December 2016.

(4) Operating cash flow is defined as Underlying EBITDA adjusted for the investment in, or release of, working capital and less the cash cost of capital expenditure.

(5) The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Notes to Editors:

About Acal plc

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

Acal has two divisions: Design & Manufacturing and Custom Distribution. The majority of its sales come from products and solutions which are created specifically for customers. Acal works across a range of technologies, namely Communications & Sensors, Power & Magnetics, Electromechanical & Cabling, Microsystems, and Imaging & Photonics.

Acal operates through the following wholly-owned businesses: Acal BFi, Contour, Flux, Foss, Hectronic, MTC, Myrra, Noratel, Plitron, RSG, Stortech, Variohm 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 and Slovakia as well as in Asia (China, India, South Korea, Sri Lanka and Thailand), North America (the US and Canada) and South Africa.

CHAIRMAN'S STATEMENT

In this, my first report as Chairman, I am pleased to report that the Group has again delivered strong results in a year that saw a strong second half preceded by a slower first half.

After twelve years as Chairman, Richard Moon retired on 31 March 2017. Richard led the Group's transformation into an international designer, manufacturer and supplier of custom electronics with a highly focused market proposition. During that time, the Group completed 13 acquisitions, five non-core disposals, and has delivered 18% CAGR underlying EPS growth in the last four years along with a 67% increase in

the dividend over the last seven years.

I am delighted to take on the chairmanship of the Group and to work with the Executive Team and Board colleagues to drive the Group's strategy and growth plans forward. The strategy is both clear and well established and underpins the success of the business in recent years. The Board intends to build on these achievements and, for my part, I believe my own commercial experience will provide strategic support to the Executive Team as they roll out their ongoing ambitious growth plans.

The Group delivered good growth in underlying earnings again this year, despite weaker demand in the first half that reflected wider economic uncertainties. Management was quick to respond, implementing a Group-wide, efficiency and cost reduction programme that has delivered sustainable savings and benefits for the years ahead.

Acquisitions into our Design & Manufacturing division play an important part in strengthening and developing the Group's commercial offering and I am pleased to report that these are performing well and contributing positively to the Group.

Strategy

The Group is becoming an international leader in customised electronics, focusing on markets with sustained growth prospects, driven by an increasing electronic content and where there is an essential need for our products. The Group's product range is highly differentiated with a significant proportion being either partly or fully customised for specific customer applications.

With our key markets being worldwide, management continue to see the opportunity to expand beyond Europe, as well as within Europe, to create a growing global designer and manufacturer of differentiated components and electronic products.

Group Results

Group sales for the year increased by 18% to £338.2m and by 6% at constant exchange rates ("CER"), the difference reflecting the translation benefit of Sterling weakness during the year.

Underlying operating profit, which excludes acquisition-related costs, exceptional costs, amortisation of acquired intangibles and the IAS19 legacy pension cost, increased by £3.7m to £20.0m (up 23% and up 5% CER) with underlying profit before tax increasing by £2.7m to £17.2m (up 19%).

Underlying earnings per share for the year increased by 13% to 19.2p (up from 17.0p last year).

There were exceptional costs for the year of £6.9m mainly related to the Group's efficiency programme announced in October 2016. Together with other underlying adjustments, profit before tax for the year on a reported basis was £4.8m (FY 2015/16: £9.4m), with fully diluted earnings per share of 5.1p (FY 2015/16: 10.9p).

Cash generation was very strong with operational cash flow that increased 66%, reducing net debt at the year end to £30.0m, resulting in a Group gearing ratio of 1.2 times (down from 1.7 times last year end) comfortably ahead of our target of 1.5 to 2.0 times.

Acquisition

In January this year, the Group acquired Variohm Holdings Limited ("Variohm"), a UK based designer, manufacturer and distributor of high quality sensors, switches and motion measurement systems, for an initial cash consideration of £10.6m, and contingent consideration of up to £1.85m payable in the year ending 31 March 2019. This acquisition was funded by a placing of new equity that raised £13.6m net of costs.

Variohm has significant alignment with our core technologies and market focus and is performing very well. We are delighted to welcome their employees into the Group.

On behalf of the Board, I would like to thank shareholders for their support in funding this transaction.

Dividend

The Board is recommending an increase in the final dividend per share of 6% to 6.05 pence per share, giving a full year dividend per share of 8.5 pence, representing an increase of 6% for the year and a cover against underlying earnings of 2.3 times. The final dividend is payable on 28 July 2017 to shareholders registered on 16 June 2017. Since 2010, the annual dividend per share has risen by 67% and the total dividend payment by over 250%.

The Board aims to maintain a progressive dividend policy together with long term dividend cover of between 2 to 3 times underlying earnings.

Employees

The Group consists of 3,800 employees in 23 countries around the world. The Board believes that by adopting an entrepreneurial and decentralised operating environment, together with rigorous planning, review, support and investment, the Group is able to continue to foster an ambitious and successful culture.

On behalf of the Board, I would like to thank all our employees for their commitment and hard work this year. Their dedication remains essential in helping us to achieve our goals.

Summary

It is widely accepted that the ideal business growth plan is to drive organic profit growth at a rate well ahead of inflation, whilst adding carefully

targeted, profitable acquisitions in dynamic market sectors that bring product, geographic or management capability to the business.

Acal has already established its pedigree in this regard with our Executive Team.

There remain many exciting opportunities for the business and with an ambitious Board and management team, we expect to see further developments in the year ahead.

Malcolm Diamond MBE
Chairman
6 June 2017

OPERATING REVIEW

Overview

The Group's business is focused on identifying, creating and supplying differentiated electronic product designs to high quality customers that leads to repeating revenue. We have invested significantly over recent years in leadership, sales, engineering and customer support to build the quality of our revenue, and we are seeing the results of this strategy with rising volumes, increasing profits, strong cash flow and a strong order book. Acal is well positioned for further growth in the year ahead.

This year saw a strong return to organic growth in the second half following a slower first half. Second half sales benefitted from rising demand in existing projects as well as higher numbers of new customer project launches, resulting in Group organic sales growth of 6%. Strong order intake over the same period led to a year end order book that was 22% higher at CER than the prior year, and 13% higher organically. This contrasted with the first half where, despite a high level of new project wins over the previous 12 months, Group organic revenues reduced by 7% as a result of lower customer sales volume amidst wider economic uncertainty.

Overall, including the acquisitions of Flux, Plitron, Contour and Variohm, revenue increased by 18% on a reported basis (6% CER) to £338.2m and orders increased by 21% (9% CER); a book to bill ratio of 1.04.

Underlying operating profit increased to £20.0m, up 23% on last year (5% CER), representing a 5.9% operating margin, an increase of 0.2ppts on last year. Underlying EPS increased by 13% to 19.2p.

Group Strategy

Acal designs, manufactures and supplies highly differentiated electronic components and products.

Core to our value proposition is the understanding of our customers' design challenges and how to design and manufacture engineered products that meet their needs, which we then supply over the life of the customer's production, typically five to seven years.

In a highly fragmented market, there exists an opportunity to consolidate suppliers offering a product range that is tailored to meet the needs of the Group's common customer base (multinational, large and mid-sized original equipment manufacturers (OEMs)) and operating to uniformly high standards. Our four target markets (transportation, medical, renewable energy and industrial connectivity), are long term, international, growth markets driven by excellent fundamentals where our customers depend upon Acal products.

Our strategy comprises four elements:

1. Move up the value chain into higher margin products;
    - Continue building revenues in the Design & Manufacturing ("D&M") division where operating margins for our businesses are higher (>10%);
    - Optimise performance in the Custom Distribution division to achieve an operating margin of 5% and to develop cross-selling of D&M division products;
2. Grow sales well ahead of GDP over the economic cycle;
    - Focus on structural growth markets where an essential need for Acal products exists;
3. Acquire high quality businesses that strengthen and develop the Group's commercial offering;
4. Internationalise the business by developing sales in North America and Asia.

The Group has made good progress again this year:

- The higher margin D&M division generated 52% of Group sales (up from 48% last year), and 54% of Group sales when annualised for acquisitions. Some 80% of Group underlying operating profit contribution was delivered by the D&M division (up from 78% reported last year); importantly, customer concentration remains low with no one customer accounting for more than 4% of Group sales;
- Following restructuring during the year and strong organic growth in the second half, operating margins in Custom Distribution increased to 4.1% in the second half from 2.1% in the first half;
- D&M cross-selling generated £4.6m of Group sales (up 53% from £3.0m for last year, 35% CER);
- Variohm Holdings Ltd, a high quality sensors business, was acquired in January 2017 and is performing very well;
- International sales now represent 19% of Group sales (up from 17% from last year).

Key Strategic and Performance Indicators

In November 2014, we set out our key strategic objectives for the business as we move the Group further up the value chain. The progress of

the Group is measured through our key strategic indicators ("KSIs"), while the financial performance of the business is measured through our key performance indicators ("KPIs"). Our KSI targets are set for the mid-term being a 3 to 5 year period, while KPIs are 3 year targets.

Given the good progress in recent years and the level of growth opportunities we see ahead, the Board increased each of the Group's KSIs in November 2016. The target share of D&M sales was increased to 75% from 65%; target underlying operating margin was increased to 8.5% from 7%; and the sales target for internationalising the business beyond Western Europe was increased to 30% from 20%. Additionally, the Board has updated its KPIs to better align with the Group's operational and financial objectives.

Key Strategic Indicators ('KSIs')

	FY14	FY15	FY 16	FY 17	Target[2]
1. Increase share of Group revenue from D&M[1]	18%	37%	48%	52%	75%
2. Increase underlying operating margin	3.4%	4.9%	5.7%	5.9%	8.5%
3. Build sales beyond Europe[1]	5%	12%	17%	19%	30%

(1) As a proportion of Group revenue
(2) Mid-term is a 3 to 5 year period

Key Performance Indicators ('KPIs')

	FY14	FY15	FY 16	FY 17	3 yr target (FY20)
1. Sales growth					
CER	17%	36%	14%	6%	
Organic	2%	3%	3%[1]	-1% (H2 6%)	Well ahead of GDP
2. Increase cross-selling	£0.3m	£0.9m	£3.0m	£4.6m	£10m p.a.
3. Underlying EPS growth	20%	31%	10%	13%	>10%
4. Dividend growth	10%	11%	6%	6%	Progressive
5. ROCE[2]	15.2%	12.0%	11.6%	13.0%	>15%
6. Operating cash flow[2]	100%	104%	100%	136%	>85% of underlying operating profit

(1) Percentage of ongoing sales
(2) Defined in Note 5 of the attached summary financial statements

Divisional Results

Divisional and Group performances for the year ended 31 March 2017 are set out and reviewed below.

	FY 2016/17			FY 2015/16			Revenue growth	CER revenue growth	Organic revenue growth
	Revenue £m	Underlying operating profit[1] £m	Margin	Revenue £m	Underlying operating profit [1] £m	Margin			
D&M	**175.6**	**20.2**	**11.5%**	137.6	16.5	12.0%	28%	14%	-1%
Custom Distribution	**162.6**	**5.2**	**3.2%**	150.1	4.7	3.1%	8%	-2%	0%
Unallocated costs		**(5.4)**			(4.9)				
Total	**338.2**	**20.0**	**5.9%**	287.7	16.3	5.7%	18%	6%	-1%

(1) Underlying operating profit excludes acquisition-related costs, exceptional costs, amortisation of acquired intangibles and IAS19 pension costs.

With approximately 80% of Group sales in non-Sterling currencies, the translation of Group results into Sterling has benefited from its weakness following the UK's European Referendum on 23 June 2016 ("Referendum"). So, while Group revenue grew 6% CER, it rose 18% on a reported basis. Conversely, weaker Sterling put pressure on UK import costs in the second half of the year impacting UK margins, where approximately 90% of UK cost of goods are non-Sterling.

Order Book

Orders grew strongly in the second half and at the year end the order book reached a record high of £109m, an increase of 22% CER (£20m)

over last year. On an organic basis, the order book increased by 13%.

The order book is driven by repeating revenues from existing customer projects and the conversion of customer design wins from new projects into orders. During the year, new project wins were registered with a total estimated lifetime project value of £127m over five years. We expect this to begin converting into orders during the new financial year.

Approximately 90% of the order book is for delivery within twelve months from the time of order, and it is this conversion into sales which is driving the continued momentum in sales into FY2017/18. The remainder of the order book is for delivery within a further six months.

By working with high quality customers, we build an order book that leads to stable and repeating revenues.

Design & Manufacturing ("D&M") Division

The D&M division designs, manufactures and supplies electronic components and products for specific customer requirements. Over 80% of the products are manufactured in-house, the balance being manufactured by approved third party contractors. The division's business units are aligned with the Group's core technology areas, namely Power & Magnetics, Communication & Sensors, Electromechanical & Cabling, and Microsystems. The division's principal manufacturing facilities are in China, India, Poland, Sri Lanka and Thailand.

	FY 2016/17			FY 2015/16					
	Revenue £m	**Underlying operating profit[(1)] £m**	**Margin**	Revenue £m	Underlying operating profit [(1)] £m	Margin	Revenue growth	CER revenue growth	Organic revenue growth
H1	**81.8**	**10.0**	**12.2%**	65.9	7.7	11.7%	24%	13%	-4%
H2	**93.8**	**10.2**	**10.9%**	71.7	8.8	12.3%	31%	15%	3%
Total	**175.6**	**20.2**	**11.5%**	137.6	16.5	12.0%	28%	14%	-1%

(1) Underlying operating profit excludes acquisition-related costs, exceptional costs, amortisation of acquired intangibles and IAS19 pension costs.

Divisional revenue increased by 28% to £175.6m (FY 2015/16: £137.6m). On a CER basis, sales increased by 14% driven by the previous year's second half acquisitions of Flux, Contour and Plitron and this year's acquisition of Variohm. In total, acquisitions generated growth of 15%, with organic sales reducing by 1%.

Organic growth levels reflect a slower first half, where organic revenue reduced by 4%. This was a result of generally lower customer demand levels amidst widespread macroeconomic uncertainty, which led to lower capital expenditure and delayed investment programmes in end markets.

As expected, second half revenues accelerated in the fourth quarter following a number of customers' new product launches and increasing volume demand across most markets. This resulted in organic revenue growth for the second half of 3% and order growth of 3%. Orders for the division were up 14% CER compared with last year, with a book to bill for the year of 1.05 (H1: 1.03; H2 1.07).

Divisional revenue was 52% of Group revenue (FY 2015/16: 48%), and 54% when annualised for acquisitions. This represents further good progress towards our mid-term divisional target for D&M to reach 75% of Group revenue.

As part of the Group's ongoing focus on efficiency improvements, a Group-wide efficiency and cost reduction programme was implemented during the year. In the D&M division, this led, in the first half of the year, to the closure of three production sites in the Nordic region, with manufacture being transferred to other existing, lower cost facilities, and the further integration of purchasing and production processes in the division. The cost of this efficiency programme was £1.6m and is included in exceptional costs.

Underlying D&M operating profit for the year of £20.2m was £3.7m higher than last year (FY 2015/16: £16.5m) and up £1.9m CER (+10%). The underlying operating margin for the year of 11.5% was 0.5ppts lower than last year mainly due to the weakness in Sterling impacting purchase pricing in the second half, with second half operating margins being 1.4ppts lower. Overall, the division generated 80% of the Group's profit contribution from 52% of Group sales.

As with previous years, a number of operational investments are underway, which include expanding magnetics production capacity in China, expanding electromagnetic shielding production capacity in South Korea and expanding fibre optic production capacity in Slovakia. Capital expenditure remains within historic levels.

Variohm

In January 2017, the Group acquired Variohm Holdings Limited, a UK based designer, manufacturer and distributor of highly differentiated sensors, switches and motion measurement systems to industrial customers in the UK, Europe and North America, via its three main brands, Variohm, Herga and Heason. Its key markets are consistent with Acal's key markets including medical, transportation and industrial, and collectively account for two thirds of Variohm sales.

Variohm was acquired for an initial cash consideration of £10.6m and generated revenue for its year ended 30 April 2016 (its final year before acquisition) of £19.4m generating a pre-tax profit of £1.6m. Additionally, a contingent cash consideration of up to a maximum of £1.85 million is payable in the year ending 31 March 2019, subject to the satisfaction of certain conditions and growth targets during the year ending 31 March 2018. Since acquisition, Variohm has performed very well.

We expect the business to benefit from access to Acal's broader, international customer base, to create new revenue opportunities from cross-selling across the Group. Cross-selling activities are already underway and since the year end, the first design win was achieved, ahead of plan.

Custom Distribution Division

The Custom Distribution division provides technically demanding customised electronic, photonic and medical products to the industrial, medical and healthcare markets, both from a range of high quality international suppliers (often on an exclusive basis) and from Acal's D&M division. A high degree of technical knowledge is required during the sales process, with Acal's engineers helping original equipment 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 and Vertec.

The customer engagement, sales and support process in Acal BFi is similar to that of the D&M division, the difference being that the products sold are manufactured by a third party supplier, rather than by Acal.

Acal BFi supplies industrial markets and accounts for the majority of Custom Distribution revenue. It supplies products from a selected group of manufacturers (including Acal's own D&M businesses) to over 20,000 customers in five technology areas: Communications & Sensors, Power & Magnetics, Electromechanical & Cabling, Microsystems, and Imaging & Photonics. The business operates across Europe, with centralised warehousing, purchasing, finance, customer contact management and IT systems. Vertec supplies exclusively-sourced medical imaging and radiotherapy products into medical and healthcare markets in the UK and South Africa.

	FY 2016/17			FY 2015/16			Revenue growth	CER revenue growth	Organic revenue growth
	Revenue £m	**Underlying operating profit[(1)] £m**	**Margin**	Revenue £m	Underlying operating profit [(1)] £m	Margin			
H1	**74.9**	**1.6**	**2.1%**	76.3	2.6	3.4%	-2%	-10%	-10%
H2	**87.7**	**3.6**	**4.1%**	73.8	2.1	2.8%	19%	6%	9%
Total	**162.6**	**5.2**	**3.2%**	150.1	4.7	3.1%	8%	-2%	0%

(1) Underlying operating profit excludes acquisition-related costs, exceptional costs, amortisation of acquired intangibles and IAS19 pension costs.

Divisional revenue for the year was 8% higher at £162.6m (FY 2015/16: £150.1m), and in line with last year organically. As with the D&M division, a strong second half saw a return to organic growth of 9% offsetting a slower first half.

The weaker first half reflected strong prior year comparators, some loss of momentum during the re-structuring programme discussed below, as well as weak market conditions throughout Europe. Second half sales growth resumed, a result of improved commercial focus following the implementation of a regional sales-led structure and improving market conditions.

Orders for the division were up 6% (CER) compared with the prior year and second half orders increased by 11%. Book to bill for the year was 1.02 (H1: 1.01; H2 1.03).

Underlying operating profit for the year of £5.2m was up £0.5m on last year (down £0.4m CER). Second half underlying operating profit was up £1.5m year-on-year. The underlying operating margin was 3.2%, 0.1ppt ahead of last year, with a second half margin of 4.1%. The divisional mid-term target is for an operating margin of 5%.

The efficiency programme implemented during the year included the regionalisation of sales operations around Europe, a reduction in management headcount, closure of the Spanish operation and a reduction of administrative costs. The cost of this efficiency programme was £4.8m and is included within exceptional costs.

Target Markets

Our serviceable market is estimated to be worth £20bn internationally, representing the niche electronic components market, and in itself representing less than 10% of the total global electronic components market. Needless to say, there remain numerous opportunities for growth across a wide range of markets and applications. Acal identifies customer opportunities where we can create a differentiated, engineered product solution, avoiding products that are more susceptible to commoditisation and price pressure.

In particular, the Group focuses on four target markets, which account for around half of Group turnover: transportation, medical, renewable energy and industrial connectivity. These are expected to drive the Group's organic revenue well ahead of GDP over the economic cycle and create acquisition opportunities. Growth in these markets is driven by increasing electronic content in products, and by global macro trends such as a growing middle class population, an expanding transport infrastructure, an ageing affluent population and the increasing need for renewable sources of energy.

i) Transportation

Transport markets are growing around the world, driven by increasing demand and falling costs, whether it be rail, air or automotive. The electronics content is rising, for instance to add convenience features, or for safety or security. For example, IC Insights, a leading electronic market research company, expects integrated circuit sales, a proxy for electronic content, into the automotive market to rise by a CAGR of 10.4% between 2015 and 2020.

ii) Medical

This market is driven by the increasing use of technology in diagnosing, monitoring and controlling medical conditions, as well as an increasingly affluent and ageing global population which nowadays accounts for the majority of healthcare spending in developed economies. As an example, a recent report by IC Insights forecasts the sales of electronics into medical applications to rise by a CAGR of 7.3% between 2015 and 2020.

iii) Renewable Energy

The combination of increased need for electricity, reducing acceptance of nuclear and coal as sources, and falling costs all favour the demand for renewable energy. So much so, that the International Energy Agency expects renewable electricity generation to outpace all other sources and surpass coal as the largest power source by around 2030, and to account for 50% of the additional energy created by then.

iv) Industrial Connectivity

Technology is creating opportunities for connectivity everywhere, and becoming increasingly important in industry. A recent report by leading research firm MarketsandMarkets expects the overall market size for global machine-to-machine connections to rise by 11.6% CAGR between 2015 and 2020.

Cross-selling

For acquired businesses, cross-selling provides new customer and geographic opportunities as a straightforward route to expanding organic growth opportunities. For businesses already within the Acal Group, cross-selling expands the sales opportunity by widening the range of products that can be supplied to existing customers. In both cases, cross-selling creates stronger customer relationships.

Having achieved its overall target last year of exceeding 5% of Group revenues (when including cross-selling within Acal BFi), the focus of our new strategic target is now on cross-selling D&M products between Group companies. This initiative generated sales of £4.6m (1.4% of revenues), an increase of 53% over last year (35% CER).

Acquisitions

Acquisitions build complementary product and/or geographic capability supplying common markets and customers, and create future organic growth opportunities.

We acquire businesses that are successful, profitable and growing in our existing and adjacent technology areas. For example, by acquiring Variohm we have added to our existing range of temperature and pressure sensors and expanded our range to include load sensors, switching and sensor systems. The businesses operate in markets with good growth prospects and long term growth drivers similar to Acal's focus markets.

Often the businesses are led by entrepreneurial managers who wish to remain with the business following acquisition. We encourage this, as it helps to retain a successful, entrepreneurial culture.

As such, Acal operates a decentralised structure, with business units operating to agreed business plans. We develop the performance of the business and support growth investment requirements. Depending upon the circumstances of an acquisition, we add value in some or all of the following areas:

- Internationalising sales channels and expanding the customer base, including via Group cross-selling initiatives;
- Developing and expanding the product range;
- Investing in management capability ('scaling up') and succession planning;
- Capital investment in manufacturing & infrastructure;
- Enabling growth with existing large customers as a consequence of the larger Group balance sheet;
- Improving manufacturing efficiency, such as by combining purchasing scale and process efficiencies;
- Infrastructure efficiency, such as warehousing and freight;
- Finance and administrative support, such as treasury, banking, legal, pension, tax & insurance, risk & control; and
- Expanding the business through further acquisitions.

Acquisition performance

Over the last six years, ten businesses have been acquired in the D&M division at a cost of £129m. On a weighted average basis, revenues of the acquired businesses have grown organically by 4% per annum (organically at CER) and operating profits by 6% per annum since acquisition. We measure acquisition return on investment ("ROI") as the current year operating profit attributable to each business over the acquisition costs (including earn outs, expenses and integration costs).

Overall, our FY2016/17 acquisition ROI was 16%. The Group, which has a weighted average cost of capital of c.10%, targets an ROI of 15% for acquisitions. During the year, six businesses exceeded target ROI with a range of 17% to 44%, mostly the result of several years' profitable growth from businesses acquired in earlier years. While two smaller businesses performed below our expectations, following changes, they are expected to improve in the year ahead.

Acquisition case study - MTC GmbH

MTC, based in Dillingen, Germany was acquired in October 2011 and is a good example of how we develop and invest in businesses following acquisition. At the time of acquisition, MTC manufactured a range of electromagnetic shielding products.

Since acquisition, organic revenue has grown 15% CER per annum, and operating profits 20% CER per annum. Operating margin has increased from 15% to 20%. Furthermore, the following have been achieved:

- Appointed a new Managing Director as successor to retiring vendor;
- Doubled the number of active customers;
- More than doubled the product range;
- Enlarged the organisation - headcount increasing by 40%;
- Increased sales into target markets from 30% to 55%;
- Introduced new sales territories;
- Established cross-selling, which now accounts for 9% of revenue;
- Moved to new larger offices; and
- Invested in additional production capacity in Asia.

The strong, local management team have embraced the market opportunity and the investment capability that Acal brought to the business to deliver strong results. The business has excellent growth prospects ahead.

Group Priorities for the Year Ahead

Our priority for the year ahead is to deliver further good growth in earnings, through:

1. Further organic sales growth;

2. Optimising efficiency;
    - Further production efficiencies through smarter working practices
    - Delivering benefits from the regional sales leadership structure
    - Continued growth in cross-selling
3. Integrating the Variohm acquisition;
    - Organic growth
    - Establish cross-selling
4. Further value enhancing acquisitions.

Summary and Outlook

As expected, the second half of the year saw accelerating levels of organic growth in sales and orders, and excellent cash flow. This strong momentum has continued into the new financial year which we entered with an order book 22% higher at CER than the prior year, and which is driving further good growth in this first quarter as the order book converts into sales.

Our efficiency plan has been implemented, delivering £4m in sustainable annual savings and at a better than anticipated cost of implementation.

Variohm Group, acquired in January 2017, is performing very well. Cross-selling activities are underway with a number of exciting opportunities identified and our first design win has been achieved, ahead of plan.

This is the seventh consecutive year in which the dividend has increased, an increase of 67% in total, reflecting the transformation of the Group over this period. In the last four years alone, revenues have almost doubled and underlying operating profits quadrupled. We plan to continue this strong rate of progression through further organic growth and high quality acquisitions over the next five years.

Nick Jefferies
Group Chief Executive
6 June 2017

FINANCE REVIEW

Orders and Revenue

Group revenue for the year increased by 18% over last year to £338.2m, and by 6% CER, the difference reflecting the translation benefit of Sterling weakness since last year. While organic revenue was 1% lower, the acquisitions of Flux, Contour and Plitron last year, and Variohm this year, less the closure of the Spanish distribution business, contributed an additional 7% growth in revenues.

£m	FY 2016/17	FY 2015/16	%	H1 %	H2 %
Reported revenue	338.2	287.7	18%	10%	23%
FX translation impact		32.8			
Underlying revenue (CER)	338.2	320.5	6%	1%	11%
Acquisitions/closures	(3.2)	16.6			
Organic revenue	335.0	337.1	-1%	-7%	6%

Group orders increased by 9% CER with a book to bill ratio of 1.04 (H1: 1.02, H2: 1.05). Organically, orders were up 3% for the year, reducing 1% in the first half and growing 7% in the second half.

With approximately 80% of Group sales in non-Sterling currencies, the translation of Group results into Sterling has benefited from its weakness following the UK's European Referendum. Sterling declined by 13% on average against the Euro in the year compared with last year, by 13% on average against the US Dollar and by 12% against Nordic currencies on average.

Gross Profit and Margin

Gross profit for the year increased by 20% over last year. This growth rate is higher than the corresponding revenue growth rate due to further improvements in gross margin for the year, which increased 0.6ppts to 32.8% (FY 2015/16: 32.2%), although growth was limited by Sterling weakness in the year.

Sterling weakness which followed the Referendum put pressure on UK import costs in the second half of the year, impacting UK gross margins. Approximately 20% of Group revenues are from UK subsidiaries where around 90% of cost of goods are non-Sterling, mainly US Dollar. Sterling declined by 13% on average against the US Dollar in the year and by 16% in the second half compared with the second half last year. The Group continued with its active hedging policy, which hedges transactions from the point of order through to payment. Whilst this protected gross margins in the first half, second half gross margins were impacted as new order hedging was contracted at the stronger US Dollar rates such that the gross margin on organic sales was down 0.5ppts for the year.

Despite the currency pressures, this remains the Group's highest annual gross margin and has increased by nearly 7ppts in the last eight years, a reflection of the increasingly differentiated nature of our products and sustainability of the business.

Underlying Operating Costs

During the year an efficiency and cost reduction programme was implemented to remove £4m (4.4%) of Group underlying operating costs on an annualised basis. Of this, £1.7m of savings were achieved this year and the remainder will flow through next year as the full annualised benefit is realised. The cost of implementing these changes was £6.4m, lower than originally anticipated (£8m).

In the D&M division, the programme involved the closure of three small Nordic production sites and the further integration of purchasing and production processes. In the Custom Distribution division, it included the regionalisation of sales operations, a reduction in management headcount, the closure of the Spanish business and a reduction in administrative costs whilst maintaining customer and sales focus.

As a result of this programme, underlying operating costs in the year reduced by 1% organically, excluding the impact of acquisitions. Including the cost bases of companies acquired over the last two years (Flux, Contour, Plitron and Variohm), and as adjusted for the closure of our Spanish business, Group underlying operating costs increased by 6% CER.

Overall reported costs were up 27% as detailed below.

£m	FY 2016/17	FY 2015/16	%
Organic costs	90.0	90.6	-1%
Closure/(acquisitions)	1.0	(4.8)	
Underlying costs (CER)	91.0	85.8	6%
FX translation		(9.5)	
Underlying adjustments			
Exceptional costs	6.9	0.2	
Acquisition-related costs	1.2	1.6	
Amortisation of acquired intangibles	3.9	2.8	
IAS 19 pension administration cost	0.3	0.3	
Reported costs	103.3	81.2	27%

£m	FY 2016/17	FY 2015/16
Selling and distribution costs	49.4	43.4
Administrative expenses	41.6	32.9
Underlying adjustments	12.3	4.9
Reported costs	103.3	81.2

Selling and distribution costs, and administrative expenses, are higher than last year, due to the inclusion of operating costs of the recently acquired businesses, together with the translation impact arising from the weaker Sterling during the year. Underlying adjustments, which are included in the financial statements within administrative expenses, are discussed below.

Group Operating Profit and Margin

Group underlying operating profit for the year was £20.0m, up £3.7m (+23%) on last year, and up 5% CER, delivering a Group underlying operating margin of 5.9%, up 0.2ppts on last year (H1: 5.6%, H2: 6.2%).

Reported Group operating profit for the year (after accounting for the underlying adjustments discussed below) was £7.7m, compared with £11.4m last year. The £3.7m decrease primarily reflects the impact of exceptional costs this year of £6.9m. These related to the Group's efficiency and cost reduction programme of £6.4m together with integration costs of £0.5m, more than offsetting the increase in underlying profitability.

£m	FY 2016/17			FY 2015/16		
	Operating profit	**Finance cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	20.0	(2.8)	17.2	16.3	(1.8)	14.5
Underlying adjustments						
Exceptional costs	(6.9)	-	(6.9)	(0.2)	-	(0.2)
Acquisition-related costs	(1.2)	-	(1.2)	(1.6)		(1.6)
Amortisation of acquired intangibles	(3.9)	-	(3.9)	(2.8)	-	(2.8)
IAS 19 pension cost	(0.3)	(0.1)	(0.4)	(0.3)	(0.2)	(0.5)
Reported	7.7	(2.9)	4.8	11.4	(2.0)	9.4

Underlying Adjustments

Underlying adjustments for the year comprise exceptional restructuring and integration costs of £6.9m (FY 2015/16: £0.2m), acquisition-related costs of £1.2m (FY 2015/16: £1.6m), the amortisation of acquired intangibles of £3.9m (FY 2015/16: £2.8m) and the IAS19 legacy pension cost of £0.4m (FY 2015/16: £0.5m).

Exceptional costs for the year comprise £6.4m related to the Group's efficiency and cost reduction programme detailed above and £0.5m related to the integration of Flux into the D&M division. Acquisition-related costs of £1.2m comprised earn-out accruals of £0.9m and costs related to the acquisition of Variohm in January 2017 of £0.3m.

The £1.1m increase in the amortisation charge since last year relates to the amortisation of intangibles identified as part of the acquisitions of Flux, Contour and Plitron last year and Variohm this year. The total annualised amortisation cost for next year is expected to be around £4.6m.

Financing Costs

Group finance costs of £2.9m (FY 2015/16: £2.0m), comprised underlying finance costs (being interest and facility fees arising from the Group's banking and pooling facilities), together with an IAS19 pension finance charge.

Underlying finance costs for the year were £2.8m and were up £1.0m from last year due mainly to the debt funding of the Flux, Contour and Plitron acquisitions during the second half of last year. Included within finance costs is the amortisation of the upfront arrangement fees associated with the Group's syndicated banking facility of approximately £0.3m per annum.

The IAS19 pension finance cost for the year was £0.1m compared with £0.2m last year.

Underlying Tax Rate

The underlying effective tax rate for the year was 24%. This was 2ppts higher than last year's rate (FY 2015/16: 22%) due mainly to the profit mix shifting towards higher tax territories.

The overall effective tax rate of 27% was higher than the underlying effective tax rate of 24% mainly due to no tax relief being recognised for exceptional costs (within underlying adjustments) in countries with unrecognised tax losses.

Profit Before Tax and EPS

Underlying profit before tax for the year was £17.2m, an increase of £2.7m (19%) compared with last year. This increase, offset partly by the increased underlying effective tax rate for the year and the increased equity base following the equity placing in January 2017, resulted in underlying diluted earnings per share for the year of 19.2p, up 13% on last year.

After the underlying adjustments discussed above, reported profit before tax was £4.8m, £4.6m below last year, with reported fully diluted earnings per share of 5.1p compared with 10.9p last year.

£m	**FY 2016/17**		**FY 2015/16**	
	PBT	**EPS**	**PBT**	**EPS**
Underlying	17.2	19.2p	14.5	17.0p
Underlying adjustments				
Exceptional costs	(6.9)		(0.2)	
Acquisition-related costs	(1.2)		(1.6)	
Amortisation of acquired intangibles	(3.9)		(2.8)	
IAS 19 pension cost	(0.4)		(0.5)	
Reported	4.8	5.1p	9.4	10.9p

Working Capital

Working capital at 31 March 2017 was £55.5m, equivalent to 15% of annualised final quarter sales at CER. This compares with working capital of £53.2m at 31 March 2016, being 17% of last year's annualised final quarter sales at CER. Continued tight management of working capital has seen this ratio reduce. The D&M division has 19% working capital as a percentage of sales (2ppts better than last year), compared with 9% in Custom Distribution (3ppts better than last year) because of higher inventory requirements in D&M (raw material and finished goods). Improvements in working capital in Custom Distribution reflected improvements in debtor days and stock turns.

Group trade debtor and trade creditor days outstanding at 31 March 2017 were both lower than last year at 51 days (down 5 days) and 57 days (down 5 days) respectively, with the measure similar in both divisions. Group inventory turns were also better at 5.7 times (up 0.3 turns), with turns of 9.9 times in Custom Distribution and 3.9 times in D&M.

ROCE (return on capital employed, as defined in note 5 to the attached summary financial statements) for the year was 13.0%, up 1.4ppts on last year. Our three year target is to achieve a ROCE of at least 15%.

Cash Flow

Net debt at 31 March 2017 was £30.0m, compared with £38.1m at 31 March 2016. The impact of foreign exchange on net debt balances in the year was only £0.2m.

	FY 2016/17	**FY 2015/16**
Net debt at 1 April	(38.1)	(19.0)
Free cash flow (see table below)	21.3	10.2
Acquisition-related cash flow	(13.8)	(20.8)
Equity issuance	13.6	-
Exceptional payments	(6.4)	(1.4)
Legacy pension	(1.6)	(1.6)
Dividends	(5.2)	(4.9)
Foreign exchange impact	0.2	(0.6)
Net debt at 31 March	**(30.0)**	**(38.1)**

Net acquisition cash flows of £13.8m comprise a £10.6m upfront outflow for the acquisition of Variohm in January 2017, £1.0m of acquired debt on acquisition, associated acquisition costs of £0.3m and the cash cost of earn-out payments made in the period of £1.9m. Cash payments of exceptional items for the year totalled £6.4m (including payments of prior year accruals) and related mainly to the Group's efficiency and cost reduction programme. Further exceptional cash costs of £1m are expected next year as this year's accrued costs are paid.

Dividend payments increased by £0.3m to £5.2m following the 6% increase of last year's dividend. The Group will continue to review the level of future dividend growth in relation to its policy of long term dividend cover of 2 to 3 times underlying earnings per share.

Operating cash flow and free cash flow (see definitions in note 5 to the summary financial statements) for the year compared with last year are shown below.

£m	FY 2016/17	FY 2015/16
Underlying profit before tax	**17.2**	**14.5**
Finance costs	2.8	1.8
Non-cash items*	4.5	3.5
Underlying EBITDA	**24.5**	**19.8**
Working capital	5.9	(1.2)
Capital expenditure	(3.3)	(2.3)
Operating cash flow	**27.1**	**16.3**
Finance costs	(2.8)	(1.8)
Taxation	(3.0)	(4.3)
Free cash flow	**21.3**	**10.2**

* Non-cash items comprise depreciation (£3.0m), amortisation (£0.7m), loss on disposal (£0.2m) and share based payments (£0.6m)

Underlying EBITDA of £24.5m was 24% higher than last year. £5.9m was released from working capital as the Group finished the year strongly. Capital expenditure at £3.3m was £1.0m higher than last year with increased investment in the D&M division, in particular new production lines in Noratel and Myrra, plus a full year's capital expenditure for businesses acquired last year. Tax payments were £1.3m lower than last year due to the use of tax losses brought forward, together with tax receipts from prior years following the conclusion of certain tax audits; further tax repayments are not expected next year.

Operating cash flow of £27.1m was £10.8m higher than last year (up 66%) and represented 136% of underlying operating profit, comparing very favourably with our target of 85%. Free cash flow (after finance costs and taxation) was £21.3m, which was £11.1m higher than last year (up 109%) and 163% of underlying profit after tax, again comparing very favourably with our target of 90%.

Banking Facilities

During July 2016, the Group increased its syndicated banking facility from £90m to £120m and extended the remaining term of the facility by two years out to five years ending in July 2021. In addition, the Group has a £30m accordion facility which it can use to extend the total facility up to £150m. The syndicated facility is available both for acquisitions and for working capital purposes.

With net debt at 31 March 2017 of £30.0m, the Group's gearing ratio (being net debt divided by underlying EBITDA, annualised for acquisitions) was 1.2 times (2015/16: 1.7 times), better than our target range of 1.5 to 2.0 times.

While the working capital performance was particularly strong at the year end, the average net debt balance since the acquisition of Variohm in January 2017 was £36m.

Balance Sheet

Net assets of £123.8m at 31 March 2017 were £21.9m higher than at the end of the last financial year (31 March 2016: £101.9m). The increase primarily relates to the equity placing in January 2017 together with translation gains on currency net assets due to the weakness in Sterling since last year, offset by the payment of dividends. The movement in net assets is summarised as follows:

£m	FY 2016/17
Net assets at 31 March 2016	101.9
Net profit after tax	3.5
Equity placing (net of issue costs)	13.6
Dividend paid	(5.2)
Currency net assets - translation impact	11.4
Loss on defined benefit scheme (inc tax)	(1.7)
Share based payments (inc tax)	0.3
Net assets at 31 March 2017	**123.8**

The Group's IAS19 pension liability, associated with its legacy defined benefit pension scheme, increased during the year by £1.1m to £6.0m at 31 March 2017. At the half year, the liability had risen to £8.2m following a sharp fall in gilt and corporate bond rates, particularly following the UK's European Referendum. However, a subsequent increase in gilt and corporate bond rates in the second half reduced the liability to the level reported.

Together with an associated deferred tax liability of £0.4m (31 March 2016: £0.7m), the Group's overall pension liability increased from £5.6m at 31 March 2016 to £6.4m at 31 March 2017. An annual cash payment of £1.6m was made this year. Payments are growing by 3% each year, in accordance with the plan agreed with the pension Trustee in 2009, until 2022. The next triennial valuation will be at 31 March 2018.

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 impact arising from the UK's decision to leave the European Union; the performance of acquired companies; loss of major customers or suppliers; technological change; major business disruption; cyber security; liquidity and debt covenants; exposure to adverse foreign currency movements; obligations in respect of a legacy defined benefit pension scheme; and loss of key personnel.

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, given its strong balance

sheet and committed banking facility of £120m at the end of the year.

Simon Gibbins
Group Finance Director

6 June 2017

Consolidated income statement
for the year ended 31 March 2017

	notes	**2017 £m**	2016 £m
Revenue	6	**338.2**	287.7
Cost of sales		**(227.2)**	(195.1)
Gross profit		**111.0**	92.6
Selling and distribution costs		**(49.4)**	(43.4)
Administrative expenses (including exceptional items)		**(53.9)**	(37.8)
Operating profit		**7.7**	11.4
Finance revenue		**0.2**	0.3
Finance costs		**(3.1)**	(2.3)
Profit before tax		**4.8**	9.4
Tax expense		**(1.3)**	(2.2)
Profit for the year		**3.5**	7.2
Earnings per share	9		
Basic		**5.3p**	11.4p
Diluted		**5.1p**	10.9p

Supplementary income statement information

Underlying Performance Measure		**2017 £m**	2016 £m
Operating profit		**7.7**	11.4
Add back: Exceptional items		**6.9**	0.2
Acquisition costs		**1.2**	1.6
Amortisation of acquired intangible assets		**3.9**	2.8
IAS 19 pension administrative charge		**0.3**	0.3
Underlying operating profit	7	**20.0**	16.3
Profit before tax		**4.8**	9.4
Add back: Exceptional items		**6.9**	0.2
Acquisition costs		**1.2**	1.6
Amortisation of acquired intangible assets		**3.9**	2.8
Total IAS 19 pension charge		**0.4**	0.5
Underlying profit before tax	7	**17.2**	14.5
Underlying earnings per share	9		
Basic		**20.0p**	17.9p
Diluted		**19.2p**	17.0p

Consolidated statement of comprehensive income
for the year ended 31 March 2017

	notes	2017 £m	2016 £m
Profit for the year		**3.5**	7.2
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme		**(2.0)**	0.7
Deferred tax credit/(charge) relating to defined benefit pension scheme		**0.3**	(0.2)
		(1.7)	0.5
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries		**11.4**	3.4
Effective portion of changes in fair value of cash flow hedges		**-**	(0.7)
		11.4	2.7
Other comprehensive profit for the year, net of tax		**9.7**	3.2
Total comprehensive profit for the year, net of tax		**13.2**	10.4

Consolidated statement of financial position
at 31 March 2017

	notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment		**16.0**	14.7
Intangible assets - goodwill	13	**72.6**	63.6
Intangible assets - other		**28.1**	24.6
Deferred tax assets		**5.5**	5.5
		122.2	108.4
Current assets			
Inventories		**50.1**	42.9
Trade and other receivables		**77.3**	65.5
Cash and cash equivalents		**22.2**	19.9
		149.6	128.3
Total assets		**271.8**	236.7
Current liabilities			
Trade and other payables		**(71.9)**	(55.2)
Other financial liabilities		**(1.3)**	(0.8)
Current tax liabilities		**(2.6)**	(2.7)
Provisions		**(2.6)**	(3.0)
		(78.4)	(61.7)
Non-current liabilities			
Other financial liabilities		**(50.9)**	(57.2)
Pension liability	15	**(6.4)**	(5.6)
Provisions		**(5.8)**	(3.5)
Deferred tax liabilities		**(6.5)**	(6.8)
		(69.6)	(73.1)
Total liabilities		**(148.0)**	(134.8)
Net assets		**123.8**	101.9
Equity			
Share capital	14	**3.5**	3.2
Share premium		**108.9**	95.6
Merger reserve		**3.0**	3.0
Currency translation reserve		**7.0**	(4.4)
Retained earnings		**1.4**	4.5
Total equity		**123.8**	101.9

These financial statements were approved by the Board of Directors on 6 June 2017 and signed on its behalf by:

N J Jefferies
Group Chief Executive

S M Gibbins
Group Finance Director

Consolidated statement of changes in equity
for the year ended 31 March 2017

	Attributable to equity holders of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total Equity £m
At 1 April 2015	**3.1**	**92.7**	**3.0**	**(7.8)**	**1.7**	**92.7**
Profit for the year	-	-	-	-	7.2	7.2
Other comprehensive loss	-	-	-	3.4	(0.2)	3.2
Total comprehensive loss	-	-	-	3.4	7.0	10.4
Shares issued (note14)	0.1	2.9	-	-	-	3.0
Share-based payments including tax	-	-	-	-	0.7	0.7
Dividends (note 8)	-	-	-	-	(4.9)	(4.9)
At 31 March 2016	**3.2**	**95.6**	**3.0**	**(4.4)**	**4.5**	**101.9**
Profit for the year	-	-	-	-	3.5	3.5
Other comprehensive income	-	-	-	11.4	(1.7)	9.7
Total comprehensive income	-	-	-	11.4	1.8	13.2
Shares issued (note 14)	0.3	13.3	-	-	-	13.6
Share-based payments including tax	-	-	-	-	0.3	0.3
Dividends (note 8)	-	-	-	-	(5.2)	(5.2)
At 31 March 2017	**3.5**	**108.9**	**3.0**	**7.0**	**1.4**	**123.8**

On 20 January 2017, the Company issued 6,418,308 new Ordinary shares to new and existing shareholders through an equity placing. The terms of the issue were fixed through a placing agreement, with an issue price of 220 pence per share. The net proceeds were £13.6m, being gross proceeds on issue of £14.1m less directly attributable expenses of £0.5m.

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 £0.5m related to the issue of shares have been debited to the share premium account.

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

Consolidated statement of cash flows
for the year ended 31 March 2017

	notes	**2017 £m**	2016 £m
Net cash flow from operating activities	12	**14.5**	8.2
Investing activities			
Acquisition of shares in subsidiaries (net of cash/(debt) acquired)		**(11.6)**	(19.9)
Acquisition related contingent consideration		**(0.3)**	-
Purchase of property, plant and equipment		**(2.8)**	(1.6)
Purchase of intangible assets - software		**(0.6)**	(0.7)
Proceeds from disposal of property plant and equipment		**0.1**	0.1
Interest received		**0.2**	0.3
Net cash used in investing activities		**(15.0)**	(21.8)
Financing activities			
Net proceeds from the issue of shares	14	**13.6**	-
Proceeds from borrowings		**-**	9.9
Repayment of borrowings		**(9.2)**	-
Dividends paid		**(5.2)**	(4.9)
Net cash from financing activities		**(0.8)**	5.0
Net decrease in cash and cash equivalents		**(1.3)**	(8.6)
Cash and cash equivalents at 1 April		**19.2**	26.6
Effect of exchange rate fluctuations		**3.1**	1.2
Cash and cash equivalents at 31 March		**21.0**	19.2

Reconciliation to cash and cash equivalents in the consolidated statement of financial position		
Cash and cash equivalents shown above	**21.0**	19.2
Add back: bank overdrafts	**1.2**	0.7
Cash and cash equivalents presented in current assets in the consolidated statement of financial position	**22.2**	19.9

1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 6 June 2017. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies whereas those for 2017 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 Operating Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review.

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

These financial statements include underlying performance measures that are not prepared in accordance with IFRS. These underlying performance measures have been selected by management to assist them in making operating decisions because they represent the underlying operating performance of the Group and facilitate internal comparisons of performance over time.

Underlying performance measures are presented in these financial statements as management believe they provide investors with a means of evaluating performance of the Group on a consistent basis, similar to the way in which management evaluates performance, that is not otherwise apparent on an IFRS basis, given that certain strategic, non-recurring, infrequent or non-cash items that management does not believe are indicative of the underlying operating performance of the Group are included when preparing financial measures under IFRS. The Directors consider there to be the following underlying performance measures:

Underlying operating profit

"Underlying operating profit" is defined as operating profit excluding acquisition costs, exceptional items, amortisation of acquired intangible assets and the IAS19 pension administration charge relating to the Group's legacy defined benefit pension scheme.

Acquisition costs are attributable costs in connection with business combinations and include contingent consideration where it is treated as an expense and movement in contingent consideration where it is treated as purchase price.

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 before tax excluding acquisition costs, exceptional items, amortisation of acquired intangible assets and the total 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.

Operating cash flow

"Operating cash flow" is defined as Underlying EBITDA adjusted for the investment in, or release of, working capital and less the cash cost of capital expenditure.

Free cash flow

"Free cash flow" is defined as net cash flow before the payment/receipt of acquisition costs, 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 Capital Employed ("ROCE")

"ROCE" is defined as underlying operating profit as a percentage of net assets (including goodwill) plus net debt.

Organic basis

Reference to 'organic' basis included in the Chairman's Statement, Operating Review and Finance Review of the Strategic Report means at constant exchange rates ("CER"), including the equivalent pre-acquisition periods of Flux, Contour and Plitron which were acquired last year, and Variohm, which was acquired this year and excluding the sales of Acal BFi Spain which was closed in December 2016.

6. Operating segment information

The Group organises its businesses into two divisions, Design & Manufacturing and Custom Distribution.

- The Design & Manufacturing division manufactures custom electronic products that are uniquely designed or modified from a standard product for a specific customer requirement. The products are manufactured at one of our in-house manufacturing facilities or, in a few cases, by third party contractors.
- The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products to the industrial, medical and healthcare markets, both from a range of high-quality, international suppliers (often on an exclusive basis) and from Acal's Design & Manufacturing division.

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

2017	Design & Manufacturing £m	Custom Distribution £m	Unallocated £m	Total £m
Revenue	**175.6**	**162.6**	**-**	**338.2**
Result				
Underlying operating profit/(loss)	20.2	5.2	(5.4)	20.0
Exceptional items	(2.1)	(4.8)	-	(6.9)
Acquisition costs	(1.2)	-	-	(1.2)
Amortisation of acquired intangible assets	(3.9)	-	-	(3.9)
IAS 19 pension charge	-	-	(0.3)	(0.3)
Operating profit/(loss)	**13.0**	**0.4**	**(5.7)**	**7.7**

2016	Design & Manufacturing £m	Custom Distribution £m	Unallocated £m	Total £m
Revenue	**137.6**	**150.1**	**-**	**287.7**
Result				
Underlying operating profit/(loss)	16.5	4.7	(4.9)	16.3

Exceptional items	-	(0.2)	-	(0.2)
Acquisition costs	(1.6)	-	-	(1.6)
Amortisation of acquired intangible assets	(2.5)	(0.3)	-	(2.8)
IAS 19 pension charge	-	-	(0.3)	(0.3)
Operating profit/(loss)	**12.4**	**4.2**	**(5.2)**	**11.4**

7. Underlying profit before tax

		2017 £m	2016* £m
Profit before tax		**4.8**	9.4
Add back: Exceptional items	(a)	**6.9**	0.2
Acquisition costs	(b)	**1.2**	1.6
Amortisation of acquired intangible assets	(c)	**3.9**	2.8
Total IAS 19 pension charge	(d)	**0.4**	0.5
Underlying profit before tax		**17.2**	14.5

*The presentation of underlying adjustments includes acquisition costs which were included in exceptional items in the prior year. The prior year presentation has been amended accordingly. The Group believes this presentation better reflects one of its strategies which is to continue to grow through business acquisitions.

The tax impact of the underlying profit adjustments above is a credit of £2.8m (2016: £1.0m).

a) Restructuring costs relating to Acal BFi totalling £4.8m, included the closure of the Spanish business, management headcount reduction and integration of the purchasing department. Restructuring in the Noratel Group totalling £1.6m included closure of three smaller Noratel production sites, with the production being transferred to other existing production facilities. £0.5m costs relate to acquisition related integration in Flux.

Last year, Acal BFi restructuring costs were £0.2m, which related to the termination of the UK Managing Director.

b) £0.3m costs incurred in relation to the acquisition of Variohm (2016: £1.0m costs incurred mainly in relation to the acquisitions of Flux, Contour and Plitron).

A £0.9m charge was provided for contingent consideration relating to the acquisitions of the Noratel Group, Foss and Contour. Last year a £0.6m charge was provided for the contingent consideration relating to the acquisition of the Myrra Group and Contour.

c) Amortisation charge for intangible assets recognised for business combinations.

d) Pension costs related to the Group's legacy defined benefit pension scheme.

8. Dividends

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

	2017 £m	2016 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2016 of 5.72p (2015: 5.4p)	**3.7**	3.4
Interim dividend for the year ended 31 March 2017 of 2.45p (2016: 2.33p)	**1.5**	1.5
Total amounts recognised as equity distributions during the year	**5.2**	4.9

Proposed for approval at AGM:	**2017 £m**	2016 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2017 of 6.05p (2016: 5.72p)	**4.3**	3.7

Summary		
Dividends per share declared in respect of the year	**8.50p**	8.05p
Dividends per share paid in the year	**8.17p**	7.73p
Dividends paid in the year	**£5.2m**	£4.9m

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:

	2017 £m	2016 £m
Profit for the year attributable to equity holders of the parent:	**3.5**	7.2

	No	No
Weighted average number of shares for basic earnings per share	65,427,064	63,304,752
Effect of dilution - share options	2,790,308	3,008,388
Adjusted weighted average number of shares for diluted earnings per share	**68,217,372**	66,313,140

Basic earnings per share	**5.3p**	11.4p
Diluted earnings per share	**5.1p**	10.9p

Underlying earnings per share is calculated as follows:

	2017	2016
	£m	£m
Net profit for the year	**3.5**	7.2
Exceptional items	**6.9**	0.2
Acquisition costs	**1.2**	1.6
Amortisation of acquired intangible assets	**3.9**	2.8
IAS 19 pension charge	**0.4**	0.5
Tax effect of the above	**(2.8)**	(1.0)
Underlying earnings	**13.1**	11.3

	No	No
Weighted average number of shares for basic earnings per share	65,427,064	63,304,752
Effect of dilution - share options	2,790,308	3,008,388
Adjusted weighted average number of shares for diluted earnings per share	**68,217,372**	66,313,140
Underlying basic earnings per share	**20.0p**	17.9p
Underlying diluted earnings per share	**19.2p**	17.0p

At the year end, there were 4,847,184 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 2,790,308 are currently dilutive (2016: 4,587,098 in issue and 3,008,388 dilutive).

10. Business combinations

On 20 January 2017, the Group completed the acquisition of 100% of the share capital and voting equity interests of Variohm Holdings Limited ("Variohm"), for a cash consideration of £10.6m. In addition a contingent consideration of £0.5m is payable in July 2018, subject to certain conditions and a maximum contingent consideration of up to £1.35m also payable in July 2018, subject to Variohm achieving agreed performance targets. The fair value of the contingent consideration at the acquisition date was estimated to be £1.6m.

Variohm owns 100% of the share capital and voting equity interests of Ixthus Instrumentation Limited, Heason Technology Limited, Herga Technology Limited and Variohm-Eurosensor Limited, all based in the UK. Variohm, is a designer, manufacturer and distributor of electronic sensors and switches.

The provisional fair value of the identifiable assets and liabilities of Variohm at the date of acquisition were as follows:

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.5
Intangible assets - customer relationships	4.4
Inventories	3.0
Trade and other receivables	3.3
Net debt	(1.0)
Trade and other payables	(2.3)
Current tax liabilities	(0.4)
Provisions (current)	(0.1)
Deferred tax liabilities (non-current)	(0.8)
Provisions (non-current)	(0.1)
Total identifiable net assets	**6.5**
Provisional goodwill arising on acquisition	**5.8**
Total investment	**12.3**
Discharged by	
Cash	10.6
Purchase price adjustment	0.1
Contingent consideration	1.6
	12.3

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 £5.8m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. 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	10.6
Transaction costs of the acquisition (included in cash flows from operating activities)	0.3
Net debt acquired	1.0
	11.9

11. Movements in cash and net debt

Year to 31 March 2017

	31 March 2016 £m	Cash flow £m	Foreign exchange £m	**31 March 2017 £m**
Cash at bank and in hand	19.9	(1.2)	3.5	**22.2**
Bank overdrafts	(0.7)	(0.1)	(0.4)	**(1.2)**
Cash and cash equivalents	19.2	(1.3)	3.1	**21.0**
Bank loans under one year	(0.1)	0.4	(0.4)	**(0.1)**
Bank loans over one year	(57.2)	8.8	(2.5)	**(50.9)**
Total loan capital	(57.3)	9.2	(2.9)	**(51.0)**
Net debt	**(38.1)**	**7.9**	**0.2**	**(30.0)**

Bank loans over one year above include £50.8m (2016: £56.8m) drawn down against the Group's revolving credit facility.

Year to 31 March 2016

	31 March 2015 £m	Cash flow £m	Foreign exchange £m	31 March 2016 £m
Cash at bank and in hand	26.7	(8.4)	1.6	19.9
Bank overdrafts	(0.1)	(0.2)	(0.4)	(0.7)
Cash and cash equivalents	26.6	(8.6)	1.2	19.2
Bank loans under one year	(0.1)	0.2	(0.2)	(0.1)
Bank loans over one year	(45.5)	(10.1)	(1.6)	(57.2)
Total loan capital	(45.6)	(9.9)	(1.8)	(57.3)
Net debt	(19.0)	(18.5)	(0.6)	(38.1)

Supplementary information to the statement of cash flows

Underlying Performance Measure

Continuing operations	**2017 £m**	2016 £m
Increase/(decrease) in net cash	**7.9**	(18.5)
Add: Business combinations	**13.8**	20.8
Exceptional cash flow	**6.4**	1.4
Legacy pension scheme funding	**1.6**	1.6
Dividends paid	**5.2**	4.9
Less: Net proceeds from share issue	**(13.6)**	-
Free cash flow	**21.3**	10.2
Net finance costs	**2.8**	1.8
Taxation	**3.0**	4.3
Operating cash flow	**27.1**	16.3

12. Reconciliation of cash flows from operating activities

	2017 £m	2016 £m
Profit for the year	**3.5**	7.2
Tax expense	**1.3**	2.2
Net finance costs	**2.9**	2.0
Depreciation of property, plant and equipment	**3.0**	2.2
Amortisation of intangible assets - other	**4.6**	3.4
Loss on disposal of property, plant and equipment	**0.2**	-
Acquisition related contingent consideration	**(1.6)**	-
Change in provisions	**1.4**	(0.5)
Pension scheme funding	**(1.6)**	(1.6)
IAS 19 pension administration charge	**0.3**	0.3
Equity-settled share-based payment expense	**0.6**	0.7
Operating cash flows before changes in working capital	**14.6**	15.9
(Increase)/decrease in inventories	**(0.1)**	1.7
(Increase)/decrease in trade and other receivables	**(3.8)**	3.4
Increase/(decrease) in trade and other payables	**9.8**	(6.4)
Decrease/(increase) in working capital	**5.9**	(1.3)
Cash generated from operations	**20.5**	14.6
Interest paid	**(3.0)**	(2.1)
Income taxes paid	**(3.0)**	(4.3)
Net cash flow from operating activities	**14.5**	8.2

13. Intangible assets - goodwill

Cost	£m
At 1 April 2015	88.4
Arising from business combinations	10.6
Exchange adjustments	1.4
At 31 March 2016	100.4
Arising from business combinations	4.3
Exchange adjustments	4.7
At 31 March 2017	**109.4**

Impairment	£m
At 31 March 2016 and 31 March 2017	**(36.8)**

Net book value at 31 March 2017	**72.6**

Net book value at 31 March 2016	63.6

The carrying value of goodwill is analysed as follows:

	2017 £m	2016 £m
Custom Distribution		
Acal BFi UK	**3.3**	3.3
Compotron	**5.1**	4.7
Medical	**0.6**	0.6
Design & Manufacturing		
Stortech	**3.6**	3.6
Hectronic	**0.6**	0.6
MTC	**2.0**	2.0
Myrra	**5.1**	4.7
RSG	**1.2**	1.1
Noratel	**30.1**	27.1
Foss	**5.7**	5.2
Flux	**0.6**	0.6
Contour	**7.7**	9.0
Plitron	**1.2**	1.1
Variohm	**5.8**	-
	72.6	63.6

The movement in goodwill compared to prior year relates to the movement in foreign exchange with the exception of Variohm which was acquired during the year and Contour, Plitron and Flux where the provisional fair value of acquired net assets was finalised during the year.

14. Share capital

Allotted, called up and fully paid	2017 Number	2017 £m	2016 Number	2016 £m
Ordinary shares of 5p each	**70,680,974**	**3.5**	64,212,568	3.2

On 20 January 2017, the Company issued 6,418,308 new Ordinary shares to new and existing shareholders through an equity placing. The terms of the issue were fixed through a placing agreement, with an issue price of 220 pence per share. The net proceeds were £13.6m, being gross proceeds on issue of £14.1m less directly attributable expenses of £0.5m.

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 £0.5m related to the issue of shares have been debited to the share premium account.

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

During the year to 31 March 2017, 50,098 share options were exercised by employees under the terms of the various share option schemes (2016: 82,928).

15. Pensions

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

Based upon the results of the triennial funding valuation at 31 March 2015, 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 2012. This required contributions of £1.6m 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 2015 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19.

The pension liability at 31 March 2017 was £6.0m (2016: £4.9m) and the total pension charge was £0.4m (2016: £0.5m). Additionally, a related deferred tax liability of £0.4m (2016: £0.7m) is included in the pension liability, resulting in total liability of £6.4m (2015: £5.6m)

16. Events after the reporting date

Dividend

A final dividend of 6.05p per share (2016: 5.72p), amounting to a dividend of £4.3m (2016: £3.7m) and bringing the total dividend for the year to 8.50p (2016: 8.05p), was declared by the Board on 30 May 2017. The Acal plc financial statements do not reflect this dividend.

17. Exchange rates

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the year and consolidated statement of financial positions are translated at year 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 2017		Year to 31 March 2016	
	Closing rate	**Average rate**	Closing rate	Average rate
US Dollar	**1.2496**	**1.3096**	1.4383	1.5081
Euro	**1.1689**	**1.1921**	1.2633	1.3665

18. 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 23 June 2017. 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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